

QUALITY®
made by **AAREAL**

Fixed Income Presentation

Q1 2017 results

Aareal Bank AG, Wiesbaden
31 March 2017

Aareal

Agenda

- Aareal Bank Group Overview
- Highlights
- Group results at a glance
- Segment performance
- Group results
- B/S structure, capital & funding position
- Asset quality
- Outlook 2017

- Appendix
- Definitions and contacts

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Aareal Bank Group Overview

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Business segments

Aareal Bank Group

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Structured Property Financing

International presence and business activities on three continents – in Europe, North America and Asia

Industry experts for hotel, logistics and office properties as well as shopping centers

International real estate financing in more than 20 countries

Total portfolio: € 28 billion

Consulting / Services for the property industry

Market-leading integrated payment transaction system for the housing, commercial property and energy sector

Market-leading IT systems for the management of residential and commercial property in Europe

Around 7 million units under management in the key market Germany

International presence: France, the Netherlands, UK and Scandinavia

Structured Property Financing

Aareal Bank AG

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Focus on senior lending

Cash-flow driven collateralised business with focus on first-ranking mortgage loans

Typical products, for example:

- Single asset investment finance
- Portfolio finance (local or cross-border)

In-depth know-how in local markets and special properties

- Local expertise at our locations
- Additional industry expertise at the head offices

International experience with employees from over 25 nations



Aareal Bank Group

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Aareon Group IT Services

Market-leading European IT-system house for the management of residential and commercial property portfolios

Highly automated ERP systems : license and SaaS solutions

Comprehensive range of integrated services and consulting

Key client base: large size property owners / managers

~ 60 % market share in German key market: >2,500 customers with ~7 mn units under management in Germany

International presence: F, NL, UK, SWE and NOR

Aareal Bank Transaction banking

Market-leading integrated payment transaction systems for the institutional housing industry in Germany

Key client base: large size property owners / managers and utility companies

Key market: Germany

~ 100 mn transactions p.a.

Deposit volume Q1 2017: Ø € 10.2 bn, strategically important as an additional source of funding

Transaction volume: ~ € 50 bn p.a.



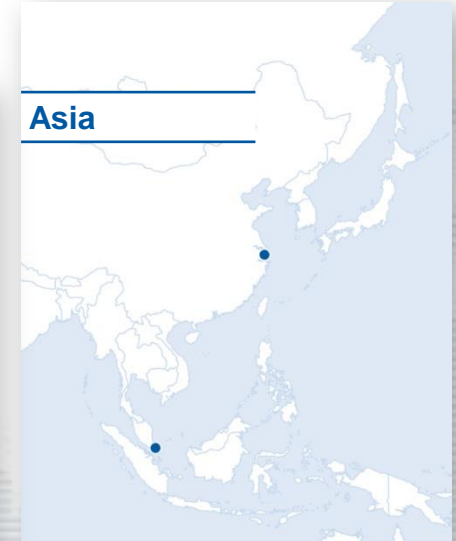
Structured Property Financing



Structured Property Financing



Consulting / Services



Structured Property Financing

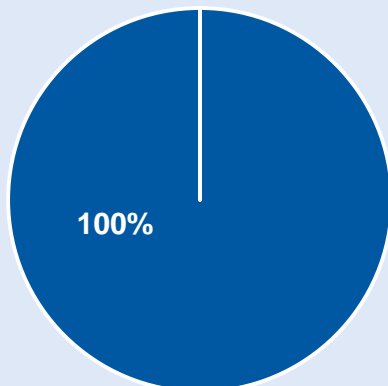
Aareal Bank, Real Estate Structured Finance: Brussels, Copenhagen, Dublin, Istanbul, London, Madrid, Moscow, New York, Paris, Rome, Shanghai, Singapore, Stockholm, Warsaw, Wiesbaden | **Aareal Valuation GmbH:** Wiesbaden | **Aareal Estate AG:** Wiesbaden

Aareal Bank, Institutional Housing Unit: Berlin, Essen, Hamburg, Leipzig, Munich, Stuttgart, Wiesbaden | **Aareon AG:** Berlin, Coventry, Dortmund, Emmen, Enschede, Erfurt, Gorinchem, Gothenburg, Hamburg, Hilversum, Hückelhoven, Karlskrona, Leipzig, Lund, Mainz, Meudon-la-Forêt, Munich, Nantes, Norrtälje, Orléans, Oslo, Piteå, Southampton, Stockholm, Stuttgart, Swansea, Toulouse | **Deutsche Bau- und Grundstücks-AG:** Berlin, Bonn, Moscow, Munich | **Aareal First Financial Solutions AG:** Mainz

Aareal's ownership structure

Successful placement underlines confidence in ARL

Ownership structure since 03.02.2015



■ Public float

- Aareal Holding successfully completed the placement of its 28.9% stake Aareal Bank shares worth € 545 mn
- Priced at a small discount of 4.6% to the previous close
- The books were covered within 1 hour post launch - final orderbook was multiple times oversubscribed
- The transaction saw high quality demand particularly from the UK, Germany and USA

Aareal Bank AG

- Listed in the German MDAX
- 59,857,221 outstanding shares
- 100% free float
- Approximately 2,600 employees
- Balance Sheet: 46.1 bln. €
- Flat hierarchies

Stock performance since 01. Jan 2006



Aareal Bank Ratings



Long-term	BBB+ <i>stable</i>
Short-term	F2
Viability Rating	bbb+
Subordinated Debt (T2)	BBB
Additional Tier 1	BB-
Mortgage Pfandbriefe	AAA <i>stable</i>
Public sector Pfandbriefe	AAA <i>stable</i>



Long-term Issuer Rating	Baa1 <i>stable</i>
Short-term Issuer Rating	P-2
Long-term Bank Deposits	A3 <i>stable</i>
Baseline Credit Assessment	baa3
Mortgage Pfandbriefe	Aaa <i>stable</i>



Highlights

Aareal

Highlights

Good start into 2017

Highlights



First-quarter consolidated operating profit of € 71 mn (Q1 2016: € 87 mn) fully in line with expectations



Very robust net interest income, thanks to continued strong margins – year-on-year decline primarily due to the continued reduction of the WestImmo and Corealcredit portfolios



Strong new business originated in the Structured Property Financing segment – very low allowance for credit losses



Further growth in net commission income, due to Aareon's good performance



Increased full-year guidance confirmed:
Aareal Bank anticipates consolidated operating profit of between € 310 mn and € 350 mn



Group results at a glance

Aareal

Group results at a glance

Solid quarterly results in line with full year targets

€ mn	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Comments
Net interest income	180	177	175	169	164	Stable margins, further reduction of CCB and WIB portfolios
Allowance for credit losses	2	29	33	33	2	Seasonally lower, in line with full year target
Net commission income	46	47	44	56	48	Above previous year's high level
Net result from trading / non-trading / hedge acc.	10	69 ¹⁾	12	-5	-4	
Admin expenses	146	144	127	130	139	Including European banking levy and Deposit Protection Guarantee Schemes
<i>Others</i>	-1	0	3	28	4	
Operating profit	87	120	74	85	71	Solid quarterly results in line with full year targets
Income taxes	27	38	23	44	24	Tax ratio Q1 2017: 34% FY 2017e: 37% due to reversal of CCB provisions
Minorities / AT1	9	9	9	8	9	Savings from redemption of hybrid instrument from Q2 2017 onwards
Consolidated net income allocated to ord. shareholders	51	73	42	33	38	
Earnings per share [€]	0.85	1.23	0.70	0.55	0.63	

1) Inc. € 61 mn from closing Aqvatrium / Fatburen

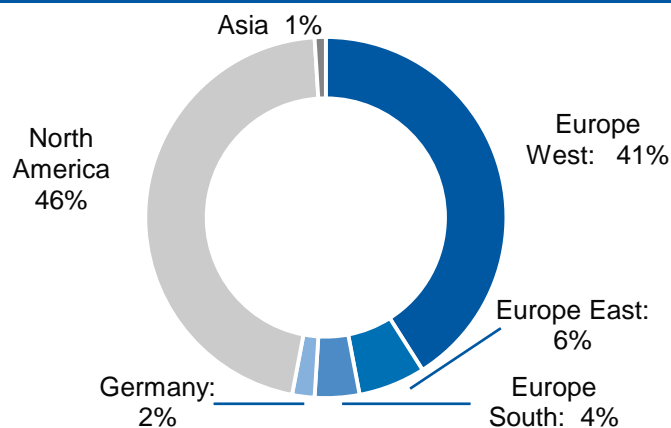


Segment performance

Structured property financing

Strong US business – stable margins

New business in Q1 2017 by region¹⁾

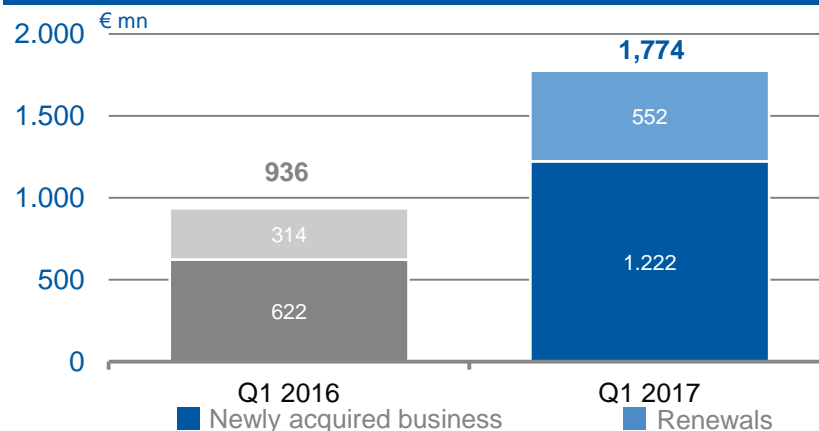


P&L SPF Segment	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Q1 '17
€ mn					
Net interest income	182	181	179	174	167
Allowance for credit losses (LLP)	2	29	33	33	2
Net commission income	2	1	2	5	1
Net result from trading / non-trading / hedge acc.	10	69 ²⁾	12	-6	-4
Admin expenses	95	94	77	80	89
Others	-1	0	2	26	4
Operating profit	96	128²⁾	85	86	77

1) Incl. renewals

2) Inc. € 61 mn from closing Aqvatrium / Fatburen

New business origination

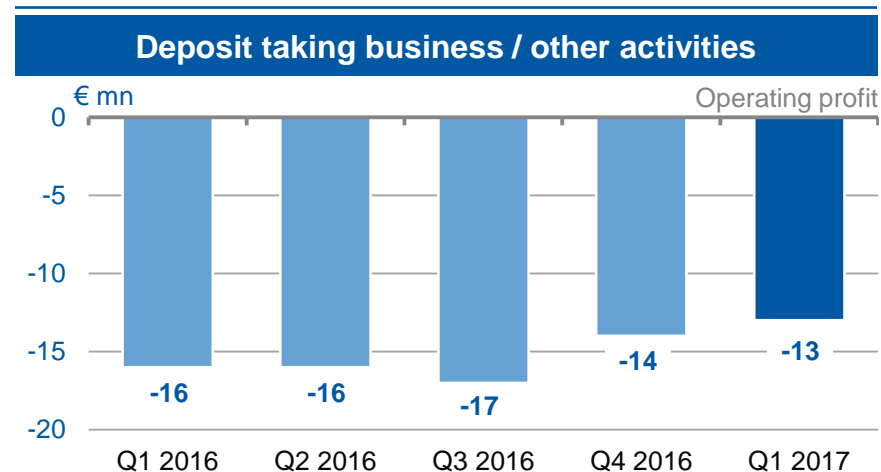
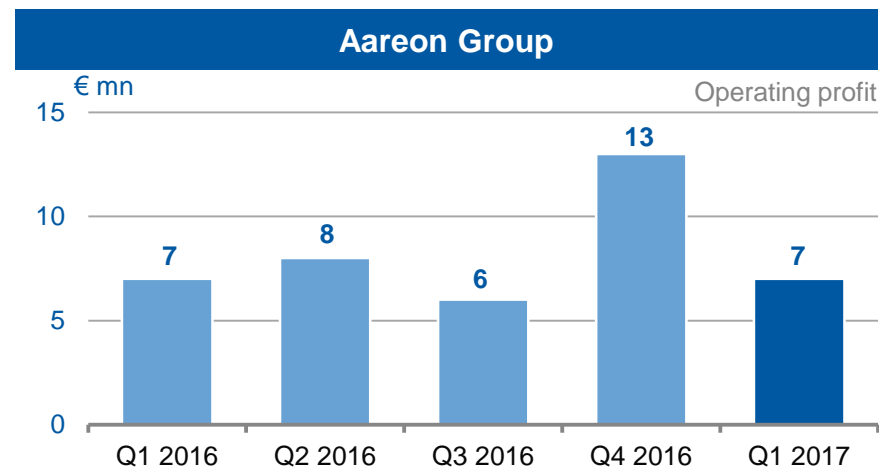


- Stable margins due to flexible new business allocation
- Newly acquired business:
 - Strong US business (~ 60% share)
 - Gross margins in Q1 2017 of around 250 bps (~ 220 bps after FX), low LTV's
 - Sticking to FY target of 200-210 bps
- € 29.6 bn RE portfolio (of which € 28.0 bn CRE)

Consulting / Services

Aareon earnings on high level of previous year

P&L C/S Segment	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Q1 '17
€ mn					
Sales revenue	49	52	47	58	54
Own work capitalised	1	2	1	2	1
Other operating income	1	0	2	4	1
Cost material purchased	7	9	8	11	9
Staff expenses	36	35	36	37	35
D, A, impairment losses	3	3	3	2	3
Other operat. expenses	14	15	14	15	15
Others	0	0	0	0	0
Operating profit	-9	-8	-11	-1	-6



- Aareon revenues of € 52 mn (Q1 2016: € 50 mn), EBT of € 7 mn, EBT margin ~13.5%
- Aareon revenues resulting from growth in all product lines, digital products with highest growth rates
- Dutch acquisition of Kalshoven Automation B.V. supporting further international growth
- Deposit volume further increased acc. to Aareal 2020 to Ø of € 10.2 bn in Q1 '17 (Ø of € 10.0 bn in Q4 '16)
- Focussing on further shift into sustainable deposits

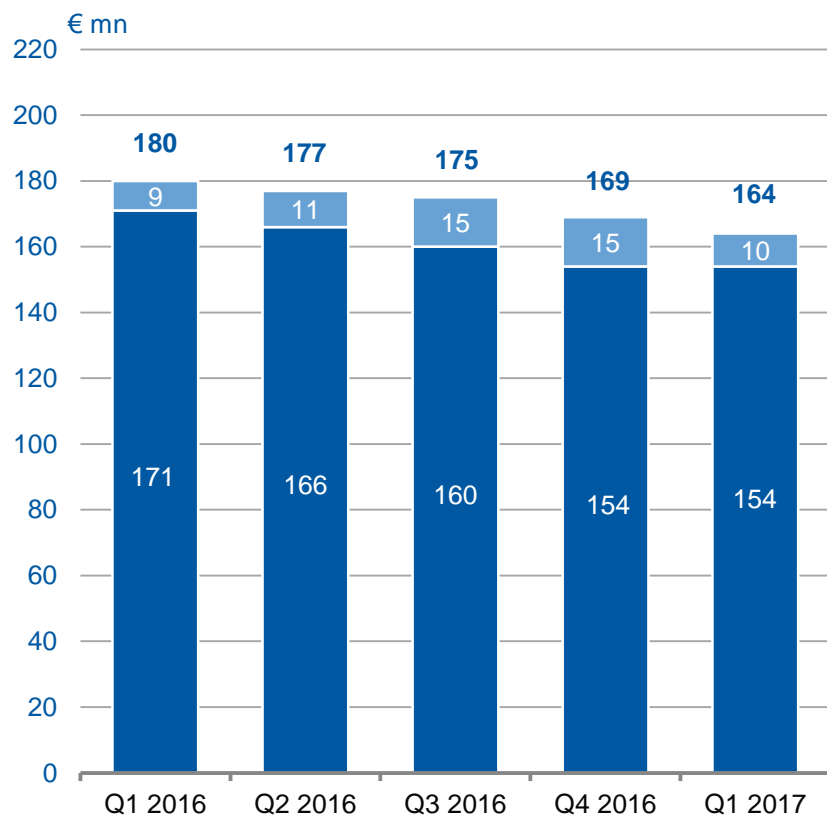


Group results Q1 2017

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Net interest income

Stable margins but further reduction of CCB and WIB portfolios



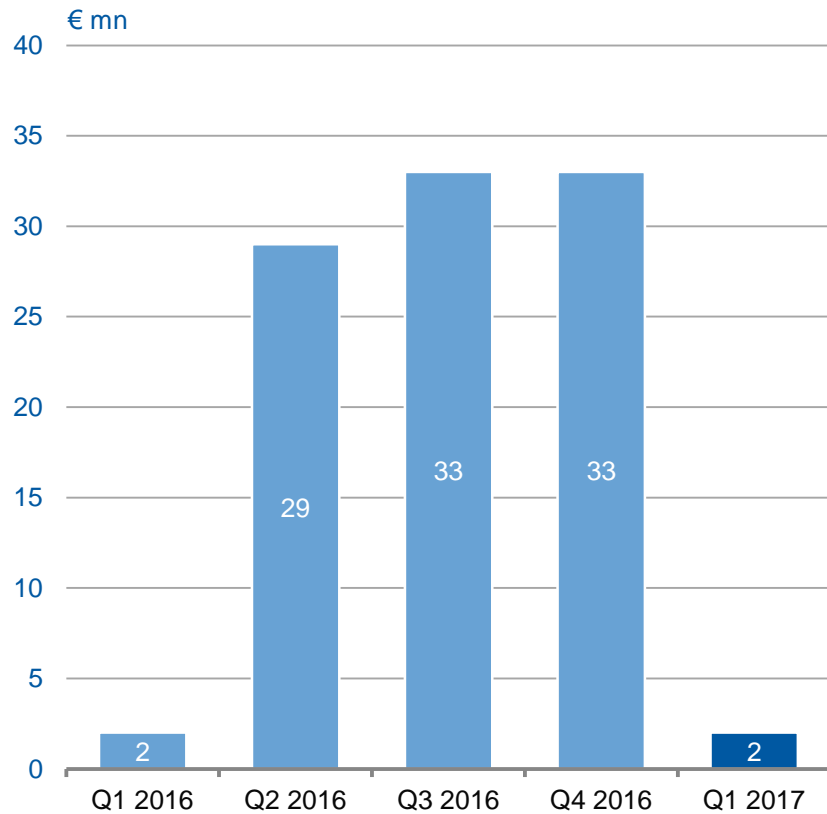
- Gross margins¹⁾ in Q1 2017: ~250 bps, ~220 bps after FX (Q1 2016: ~270 bps, ~230 bps after FX)
- Sticking to FY target of 200-210 bps
- € 9 mn effects from early repayments
- Deposit margins further burdened by interest rate environment
- Aareal Bank already fulfils future NSFR / LCR requirements

■ NII without effects from derecognition of financial instruments to be reported separately under IFRS 9 starting 2018
■ Effects from derecognition of financial instruments to be reported separately under IFRS 9 starting 2018 (mainly effects from early repayments)

1) Newly acquired business

Allowance for credit losses (LLP)

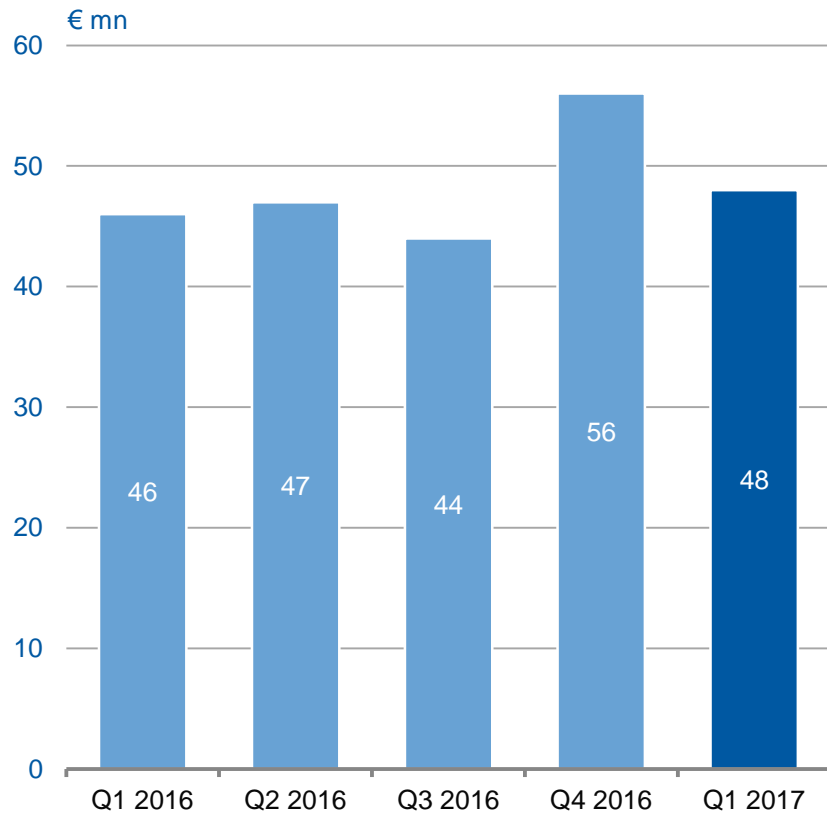
Seasonally lower, in line with full year target



- LLP with seasonal effects, in line with reduced full year target
- Conservative lending policies paying off
- No additional burden from Italian portfolio

Net commission income

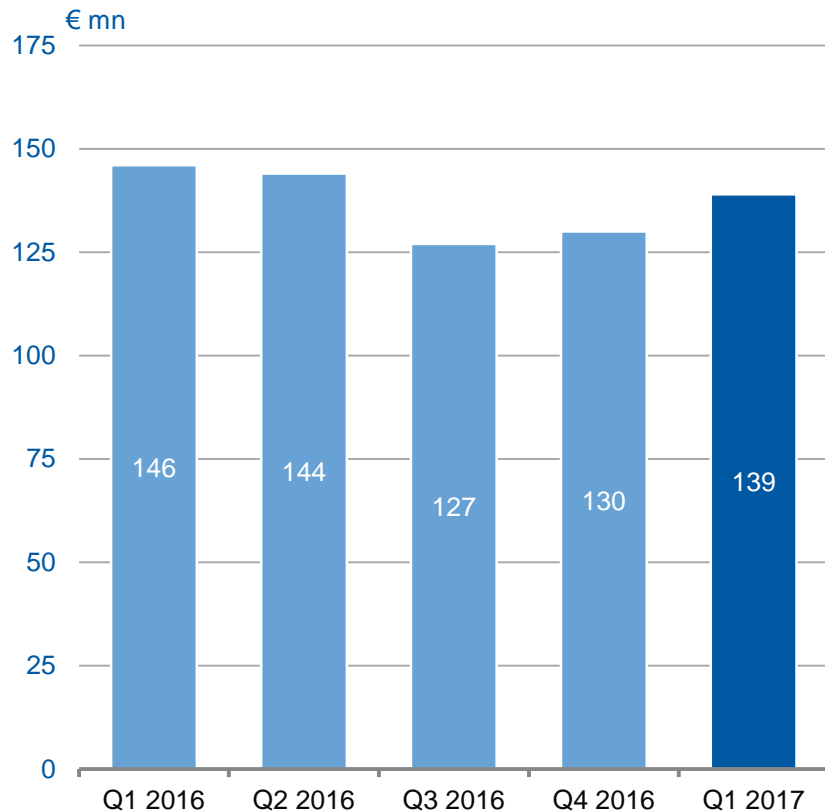
Above previous year's high level



- Stronger Aareon revenues of € 52 mn (Q1 '16: € 50 mn) resulting from growth in all product lines, digital products with highest growth rates
- Dutch acquisition of Kalshoven Automation B.V. supporting further international growth
- Q4 regularly includes positive seasonal effects

Admin expenses

Incl. European banking levy and Deposit Protection Guarantee Schemes



Admin expenses in Q1 2017 includes

- € 22 mn for the European bank levy and for the Deposit Protection Guarantee Schemes (both fully booked in Q1)
- € 4 mn for projects and investments (FY 2017 plan: € 30 mn)

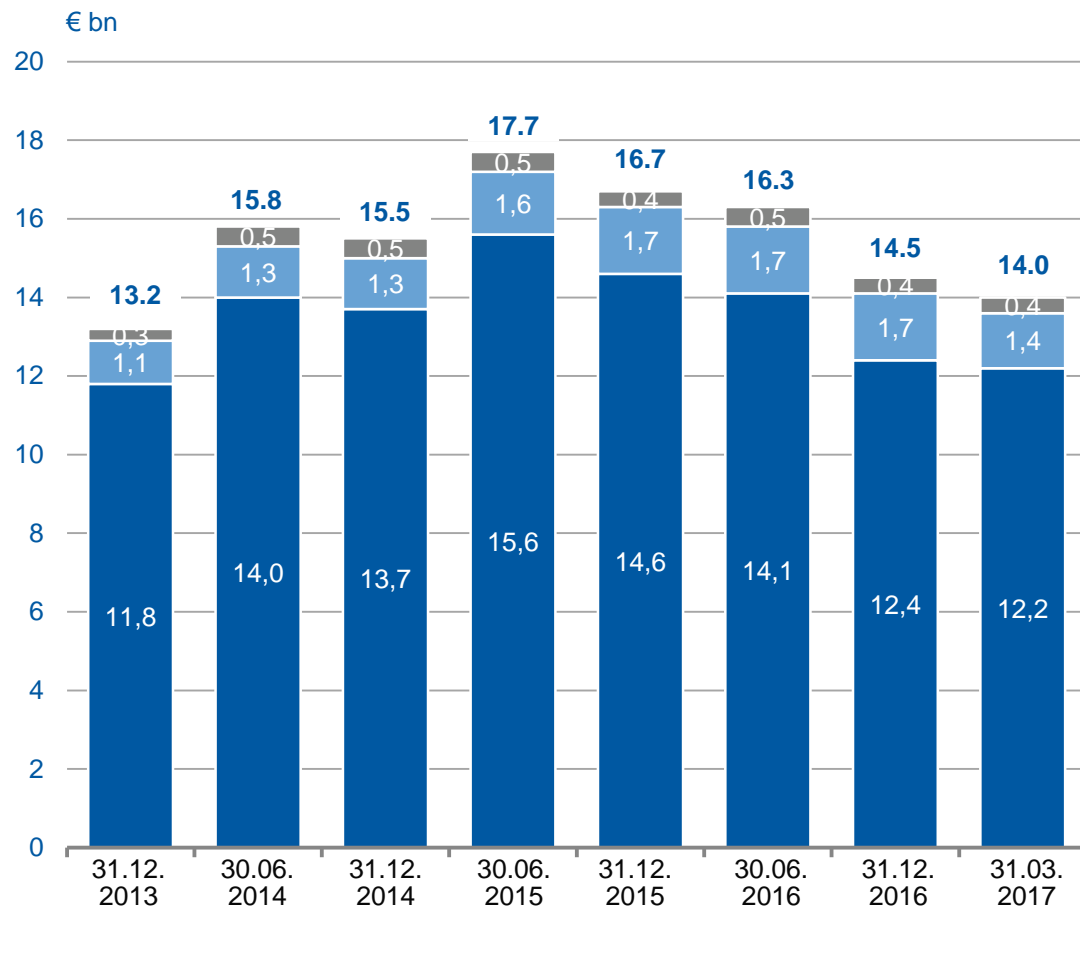


B/S structure, capital & funding position

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RWA development

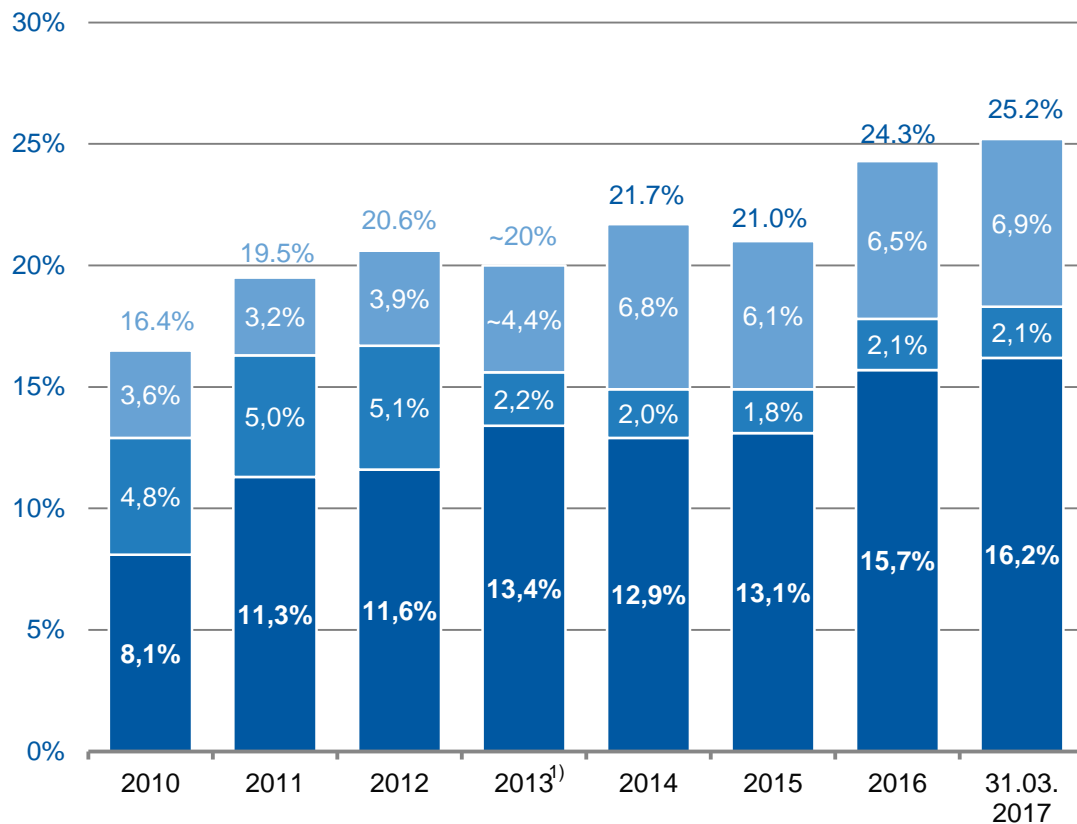
Successful RWA run down



- Operational risk reduction mainly due to model update caused by regulatory changes
- Operational risk already based on standardised approach
- Credit risk reduction due to further run down of WIB / CCB portfolios

Capital ratios

Strong development



German GAAP (phased-in)

IFRS (fully phased)

- Regulatory uncertainties buffered by very strong capital ratios
- Instruments assumed to mature until 2019 (planning period) are excluded from the fully phased ratios
- Bail-in capital ratio (acc. to our definition): above 8%
- T1-Leverage ratio as at 31.03.2017: 5.9% (fully phased)

■ Tier 2 (T2)
■ Additional Tier 1 (AT1)
■ Common Equity Tier 1 (CET1)

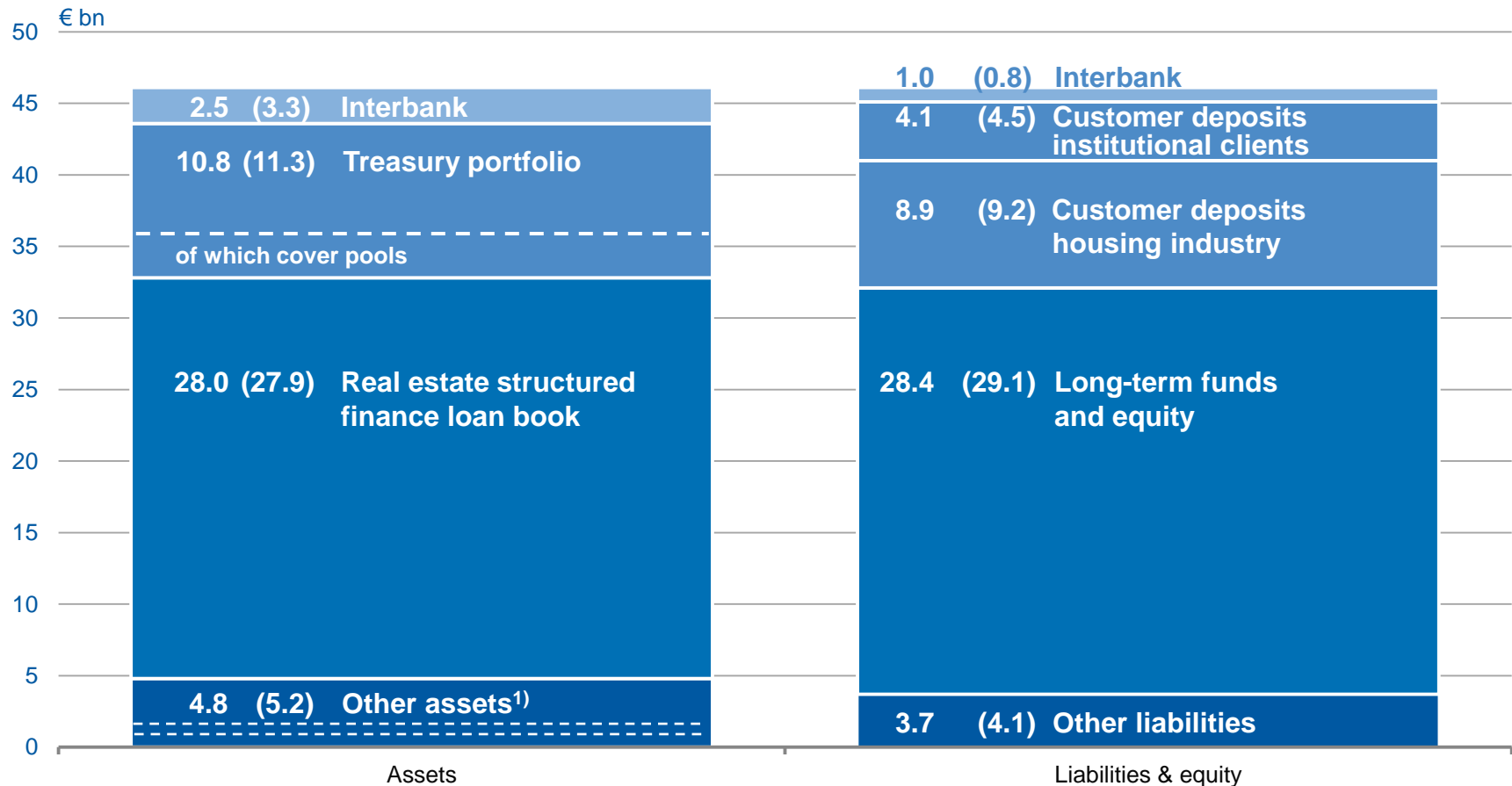


1) As at 01.01.2014, published 20.02.2014

Asset- / Liability structure according to IFRS

As at 31.03.2017: € 46.1 bn (31.12.2016: € 47.7 bn)

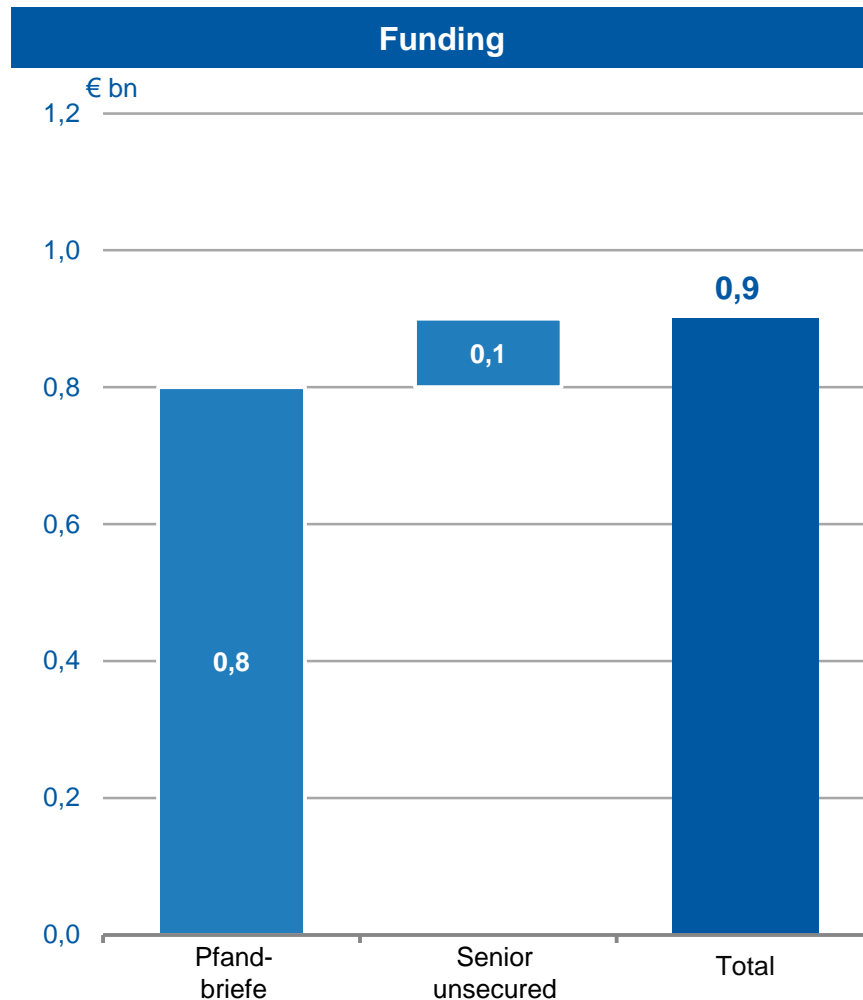
- Conservative balance sheet with structural over borrowed position
- Average maturity of long term funding > average maturity of RSF loans



1) Other assets includes € 1.0 bn private client portfolio and WIB's € 0.6 bn public sector loans

Capital market funding

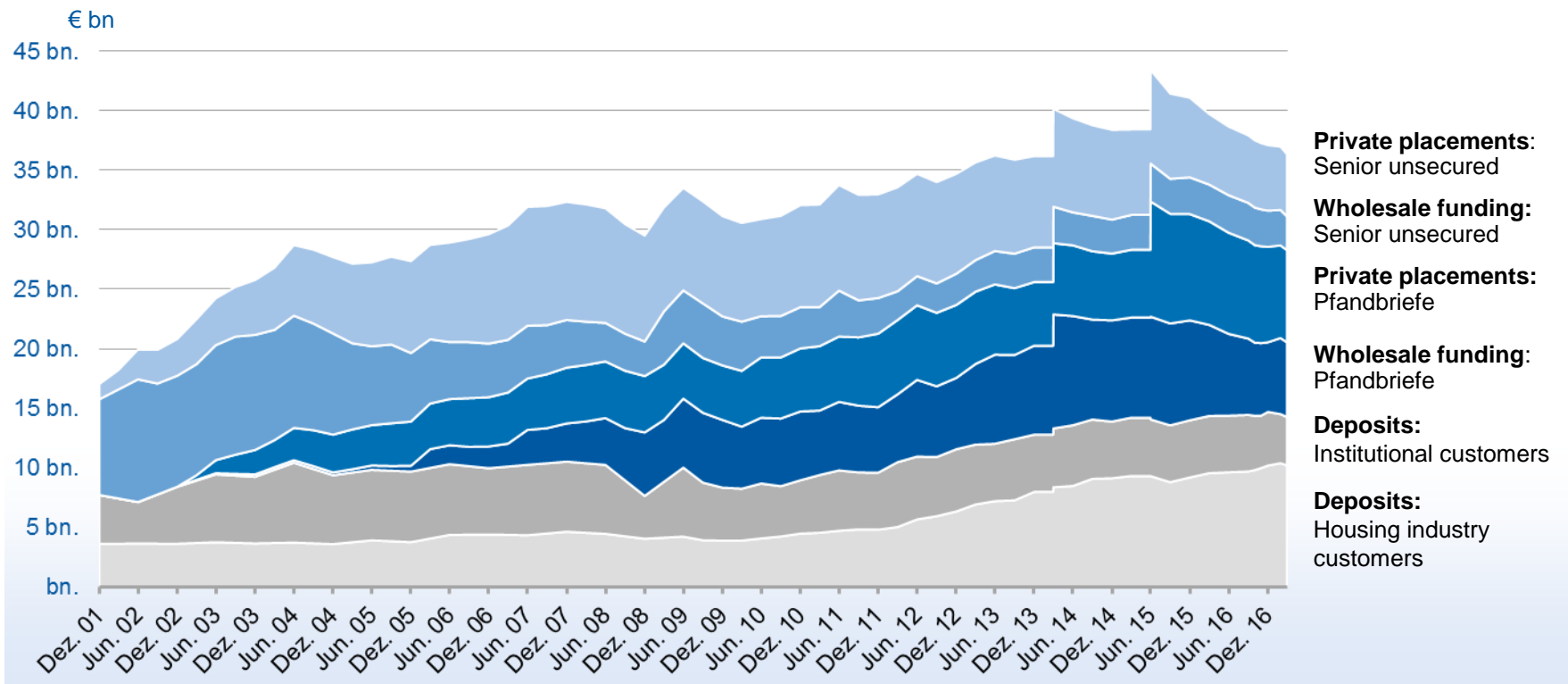
Sound liquidity position



- Total funding raised in Q1 2017: € 0.9 bn mainly Pfandbriefe (€ 0.8 bn)
- Backbone of capital market funding is a loyal, granular, domestic private placement investor base
 - Hold-to-maturity investors: ~ 600
 - Average ticket size: ~ € 10 mn
- Fulfilling liquidity KPIs
 - NSFR > 1
 - LCR >> 1

Refinancing situation

Diversified funding sources and distribution channels



- Aareal Bank has clearly reduced its dependency on wholesale funding
- 2002 long term wholesale funding accounted for 47% of overall funding volumes – by 31.03.2017, this share has fallen below 25% (or even below 10% without Pfandbriefe)

As at 31.03.2017

Capital Markets benchmark activities

Pfandbriefe / Senior unsecured / Subordinated benchmark transactions




Aareal Bank Group

EUR 500,000,000
Hypothekendarlehen

5½ Years
Maturity 04.07.2022
ISIN: DE000AAR0199

Lead Managers
Commerzbank, DekaBank,
DZ Bank, LBBW, UniCredit
2017




Aareal Bank Group

USD 500,000,000
Hypothekendarlehen

4 Years
Maturity 01.04.2019
ISIN: XS1204620915

Lead Managers
Citi, Credit Suisse,
Goldman Sachs, LBBW
2015



Aareal Bank Group

EUR 300,000,000
Additional Tier 1

7.625%
Perpetual nc 5 years
First call date 30.04.2020
ISIN: DE000A1TNDK2

Lead Managers
BNP, Deutsche Bank,
HSBC
2014




Aareal Bank Group

EUR 500,000,000
Hypothekendarlehen

3 Years
Maturity 19.09.2017
ISIN: DE000AAR0181

Lead Managers
Commerzbank, LBBW,
NordLB, SocGen,
Unicredit
2014



Aareal Bank Group

EUR 300,000,000
Tier 2

4.25% 12nc7
Maturity 18.03.2021/26
ISIN: DE000A1TNC94

Lead Managers
BNP, Deutsche Bank,
HSBC
2014




Aareal Bank Group

EUR 500,000,000
Senior Unsecured

5 Years FIXED
Maturity 05.02.2019
ISIN: DE000A1TNC78

Lead Managers
Deka Bank, DZ Bank,
HSBC
2014



Aareal Bank Group

EUR 500,000,000
Hypothekendarlehen

5 Years
Maturity 21.01.2019
ISIN: DE000AAR0173

Lead Managers
Deka Bank, DZ Bank,
HSBC, LBBW, Unicredit
2014




Aareal Bank Group

EUR 500,000,000
Hypothekendarlehen

5 Years
Maturity 28.06.2018
ISIN: DE000AAR0165

Lead Managers
BNP, Deutsche Bank, DZ
Bank, HSBC, LBBW
2013




Aareal Bank Group

GBP 200,000,000
Hypothekendarlehen

3 Years FRN
Maturity 02.05.2016
ISIN: XS0924112658

Lead Managers
BNP Paribas, Deutsche
Bank, HSBC
2013



Aareal Bank Group

EUR 625,000,000
Hypothekendarlehen

5 Years
Maturity 15.01.2018
ISIN: DE000AAR0157

Lead Managers
BNP, Commerzbank, DZ
Bank, NordLB, UniCredit
2013



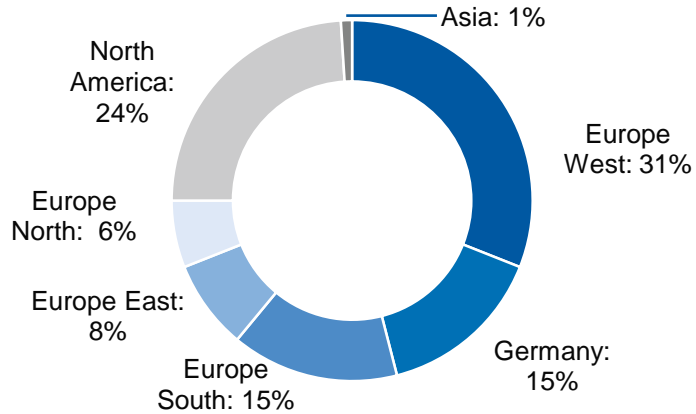
Asset quality

Aareal

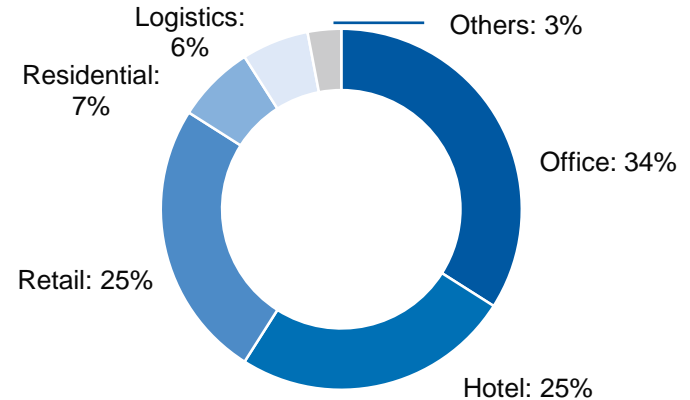
Property finance portfolio¹⁾

€ 28.0 bn highly diversified and sound

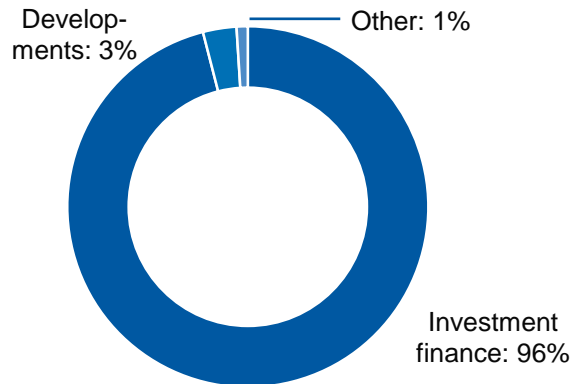
Portfolio by region



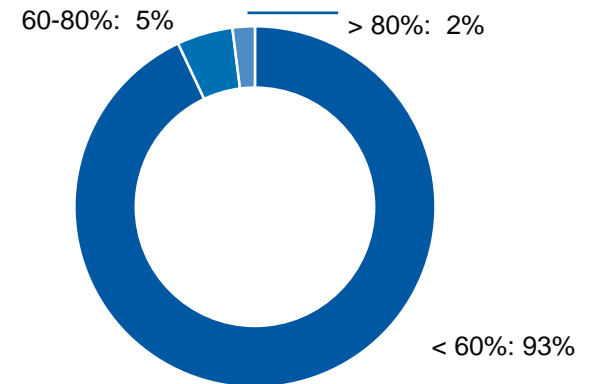
Portfolio by property type



Portfolio by product type



Portfolio by LTV ranges²⁾



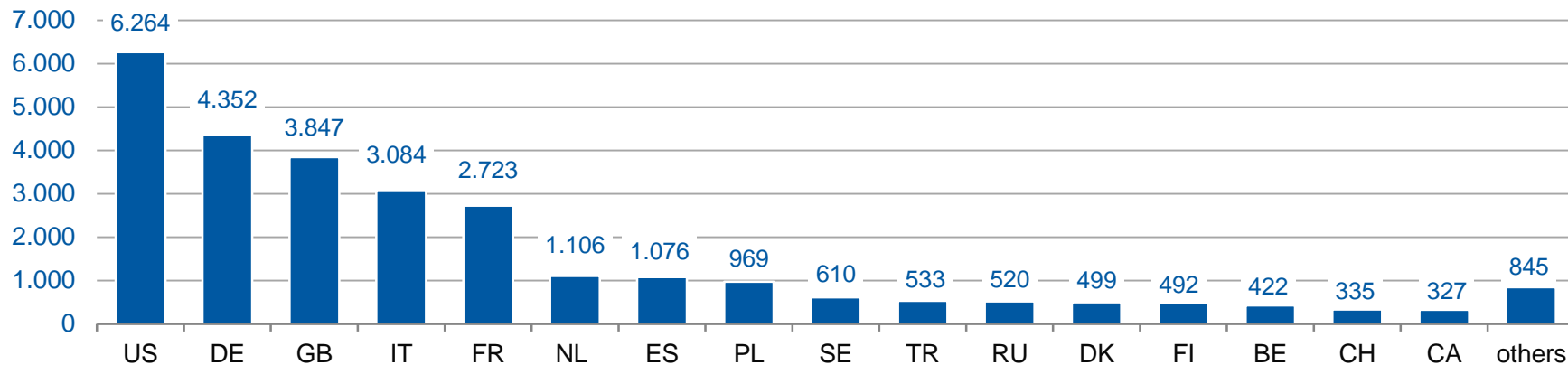
1) CRE-business only, private client business (€ 1.0 bn) and WIB's public sector loans (€ 0.6 bn) not included

2) Performing CRE-business only, exposure as at 31.03.2017

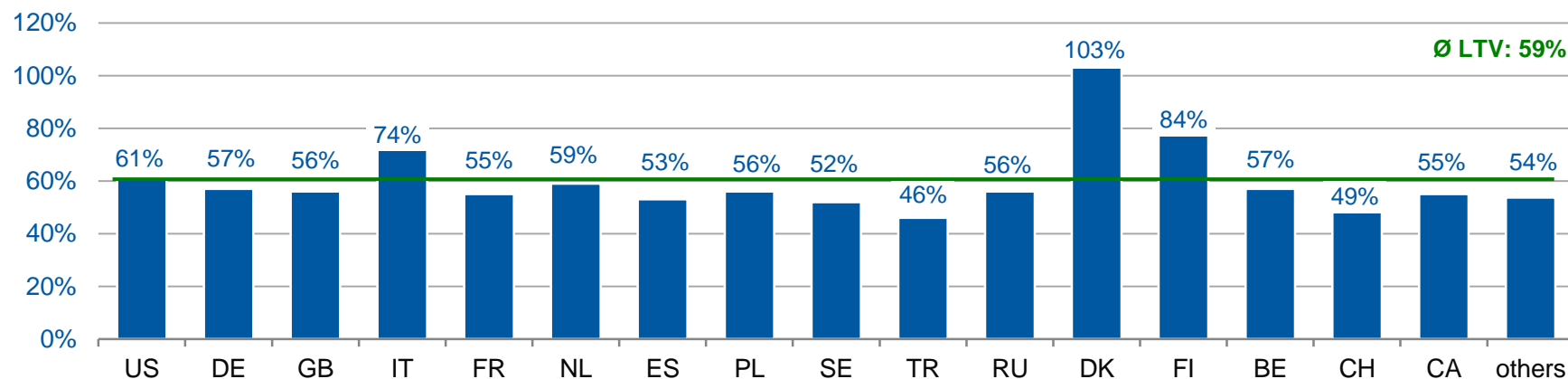
Property finance portfolio¹⁾

Portfolio details

Total property finance portfolio by country (€ mn)



LTV by country²⁾



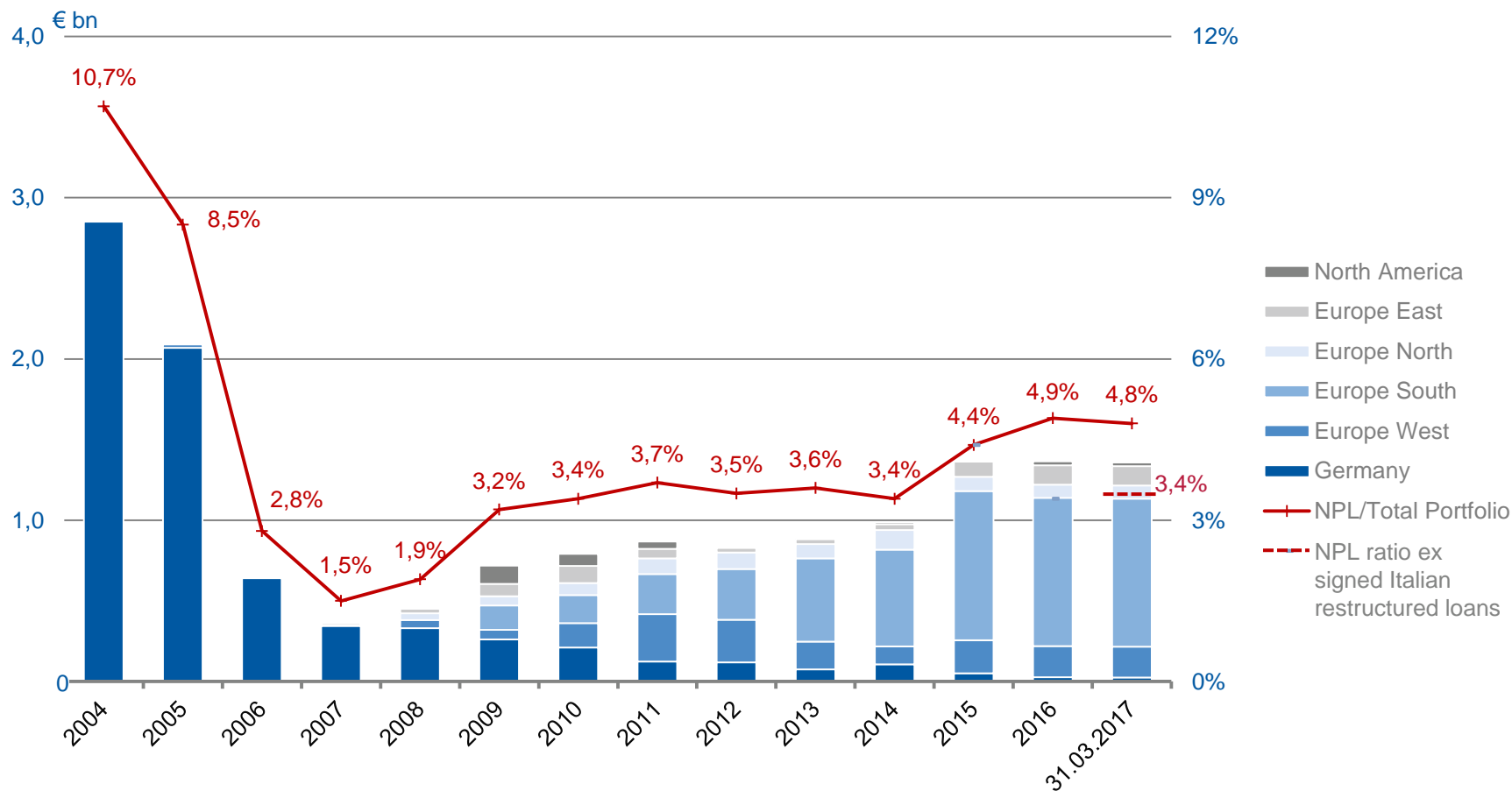
1) CRE-business only, private client business (€ 1.0 bn) and WIB's public sector loans (€ 0.6 bn) not included

2) Performing CRE-business only, exposure as at 31.03.2017

Property finance portfolio¹⁾

Stable NPL volume

NPL and NPL-ratio (since 12.2004)

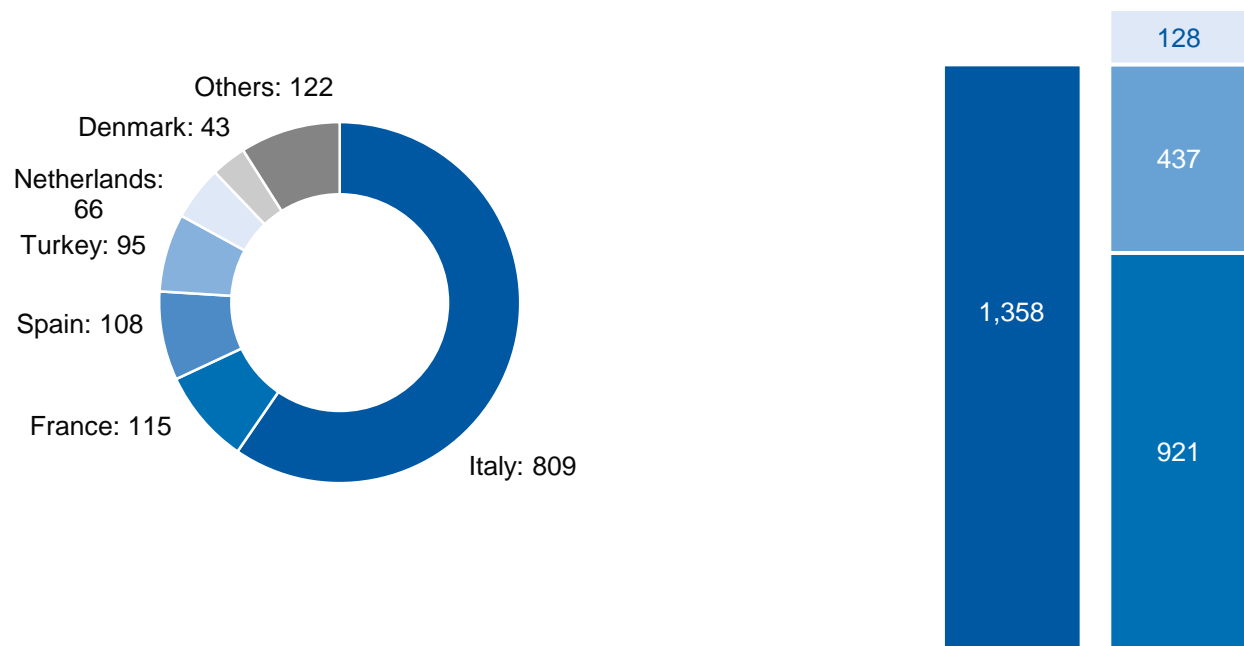


1) CRE-business only, private client business (€ 1.0 bn) and WIB's public sector loans (€ 0.6 bn) not included

Property finance portfolio

NPL exposure fully covered including collaterals

NPL-split and coverage (€ mn)



	31.03.2017
Coverage ratio specific allowance	32%
Coverage ratio including portfolio allowance	42%

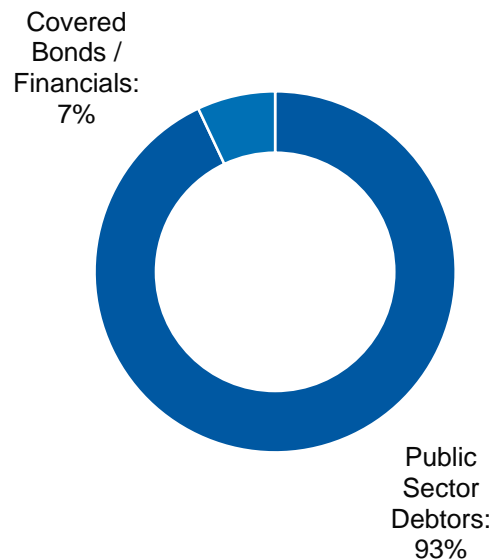
- NPL exposure
- Portfolio allowance
- Specific allowance
- Collaterals

1) CRE-business only, private client business (€ 1.0 bn) and WIB's public sector loans (€ 0.6 bn) not included

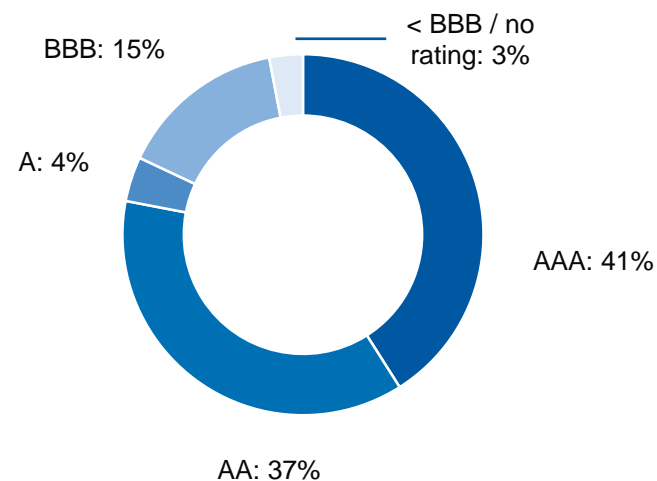
Treasury portfolio

€ 8.9 bn of high quality and highly liquid assets

by asset class



by rating¹⁾



As at 31.03.2017 – all figures are nominal amounts

1) Composite Rating

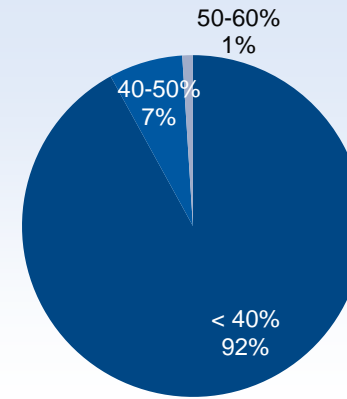
Mortgage Cover Pool

Well diversified regarding Geography and Property Type

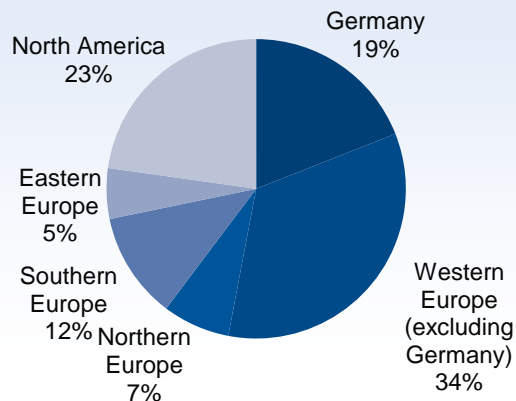
- Ø LTV of the mortgage cover pool 37.8%
- High diversification within property types
- Cover pool (€ 11.1 bn) diversified in 19 countries
- High quality of assets: first-class mortgage loans (mortgage-lending-value 57.5%%)
- Mortgage-lending-value with high discount from market-value
- Fitch has calculated a 'AAA' supporting over-collateralisation ratio (SOC) of 28.5%
- Moody's has calculated a 'Aaa' supporting over-collateralisation ratio of 14,5% on a PV basis



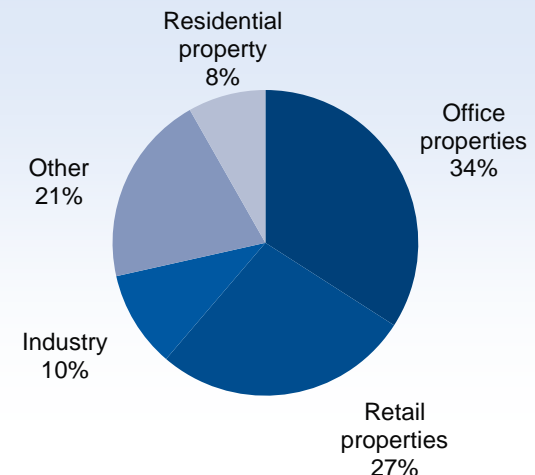
Mortgage Cover Pool by LTVs



Cover Pool by Geography



Cover Pool by Property Typ





Outlook 2017

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Outlook 2017

Confirming increased guidance

2017	
Net interest income	▪ € 620 mn - € 660 mn incl. planned effects from early repayments (€ 35 mn - € 75 mn)
Allow. for credit losses¹⁾	▪ € 75 mn - € 100 mn
Net commission income	▪ € 195 mn - € 210 mn
Admin expenses	▪ € 470 mn - € 510 mn incl. expenses for projects and investments / effects from integration
Operating profit	▪ € 310 mn - € 350 mn
Pre-tax RoE	▪ 11% - 12.5% (9% - 10.5% excl. one-off from reversal of provisions related to CCB acquisition)
EpS	▪ € 2.85 - € 3.30
Target portfolio size	▪ € 25 bn - € 28 bn
New business origination²⁾	▪ € 7 bn - € 8 bn
Operating profit Aareon³⁾	▪ € 34 mn - € 35 mn

1) As in 2016, the bank cannot rule out additional allowances for credit losses

2) Incl. renewals

3) After segment adjustments

Conclusion

Aareal Bank Group well positioned to continue successful development

Key takeaways



Aareal Bank Group remains on course, following solid start into the new year



Consolidated operating profit fully in line with expectations



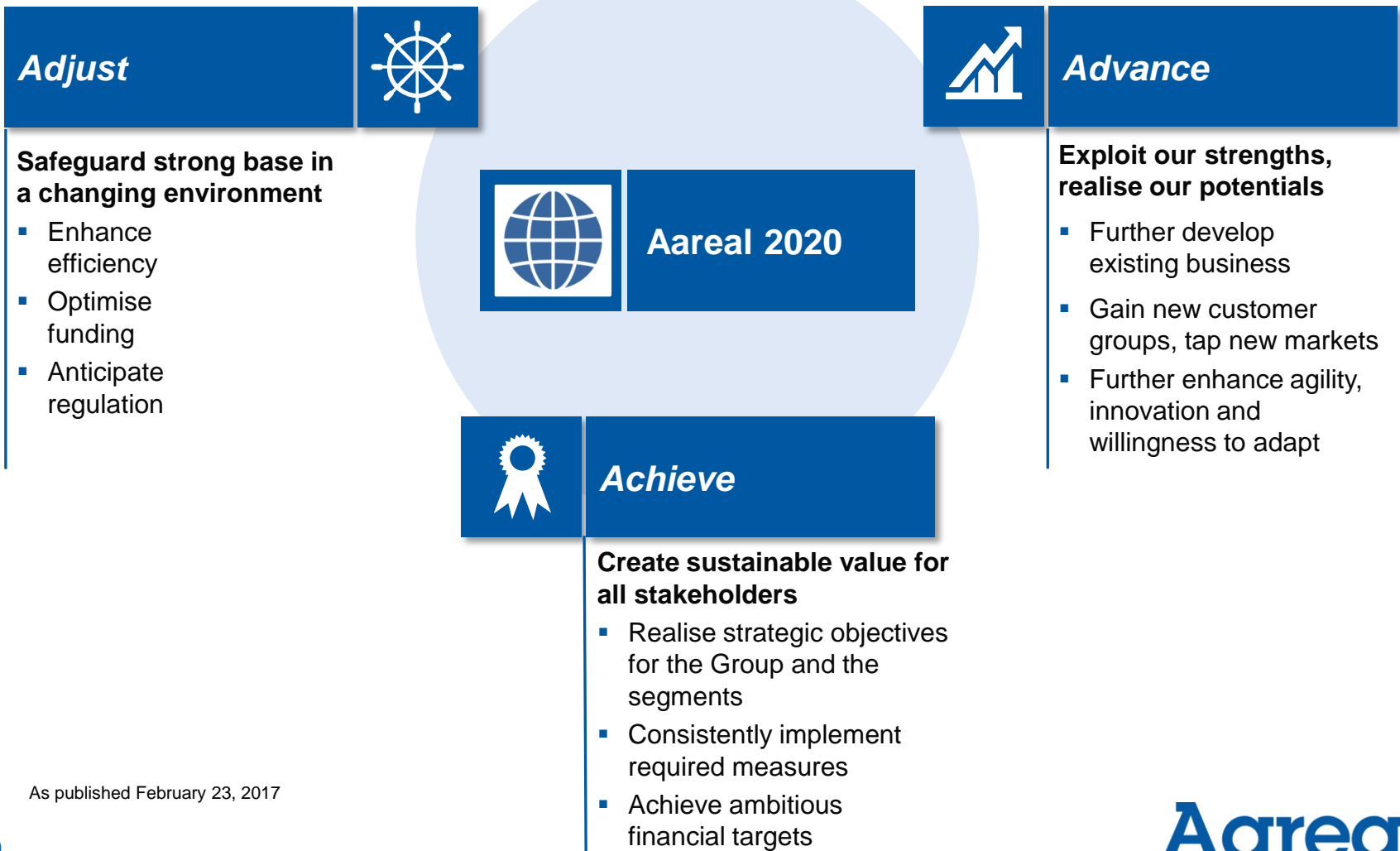
Increased full-year guidance confirmed



Appendix
Aareal 2020

Aareal 2020 – *Adjust. Advance. Achieve.*


Our way ahead



As published February 23, 2017

Aareal 2020 – Adjust. Advance. Achieve.





We successfully started – in our operational business ...

	Achievements so far 	Focus 2017 	Targets 2020 Plus 
Structured Property Finance 	<ul style="list-style-type: none"> ✓ US-portfolio enhanced ✓ Non-core assets reduced ✓ Syndication volume increased ✓ Servicing platform, cooperation signed 	<ul style="list-style-type: none"> ▪ Further enhancing of attractive markets, e.g. USA ▪ Further reduction of non-core assets ▪ Further increasing syndication, enhancing investor bases and product scope ▪ Digitalisation of internal processes as well as clients' interface 	<ul style="list-style-type: none"> ▪ Expansion in markets with attractive risk return profile ▪ Strengthened portfolio- and balance sheet management ▪ New (digital) opportunities taken by enhancing value chain
Consulting/ Services 	<ul style="list-style-type: none"> ✓ Core business successfully enhanced ✓ Digital platform developed and new digital solutions launched ✓ International cross-selling increased ✓ Network with start-ups enlarged, first cooperation signed 	<ul style="list-style-type: none"> ▪ Enlarging digital solutions portfolio ▪ Tapping joint markets and customer groups, e.g. utilities and CRE ▪ Intensifying cooperation, in particular with start-ups 	<ul style="list-style-type: none"> ▪ Eco system housing industry and utilities expanded ▪ Existing platform products for the B2C business for the housing industry further developed ▪ Further development of our payment transaction system and IT products as well as enlarging our customer base

As published February 23, 2017

Aareal 2020 – *Adjust. Advance. Achieve*

... and investing in our organisation and IT

	Achievements so far 	Focus 2017 	Targets 2020 Plus 
	<ul style="list-style-type: none"> ✓ New governance model established ✓ Requirement of new IT-infrastructure defined ✓ WIB integration faster than originally planned ✓ Funding optimised and flexibility via second rating gained ✓ Regulation anticipated, Basel III requirements already fulfilled 	<ul style="list-style-type: none"> ▪ Optimising group structure and exploiting synergies ▪ Set-up of new IT-infrastructure ▪ Optimising deposit structure and making use of second rating ▪ Constant monitoring of regulation and anticipation possible changes 	<ul style="list-style-type: none"> ▪ Enhancing flexibility and efficiency ▪ Reducing complexity ▪ Optimising IT and digital processes ▪ Equilibrating capital structure ▪ Safeguarding broadly diversified funding base

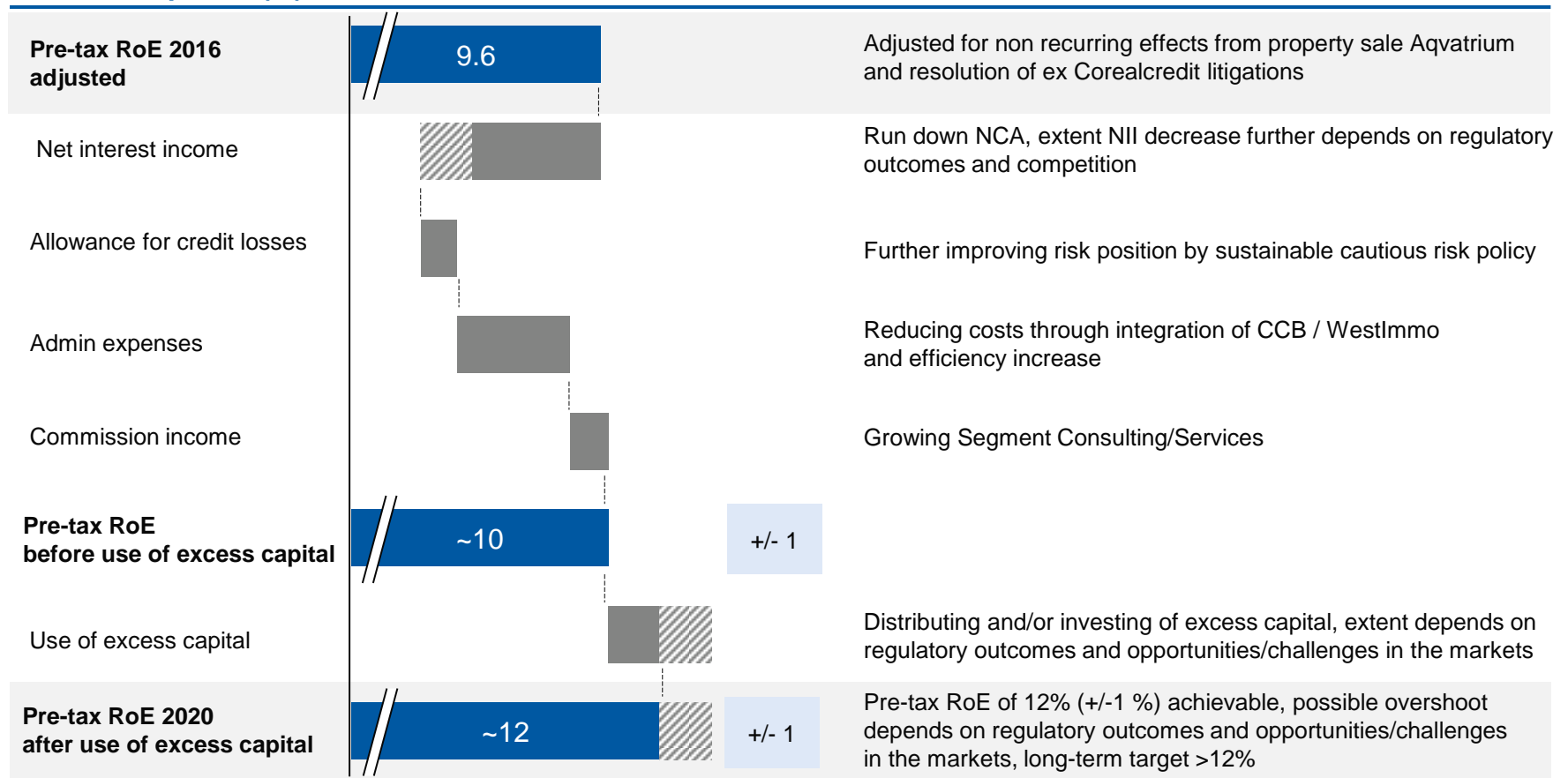
As published February 23, 2017



Achieve.

Keep RoE on an attractive level despite difficult environment

RoE-Development (%)



As published February 23, 2017

Further medium-term increase is possible on the basis of a positive development of interest rate levels



Achieve.

Increase payout ratio (up to 80%)¹⁾

Base dividend

We intend to distribute **approx. 50% of the earnings per ordinary share (EpS)** as base dividend

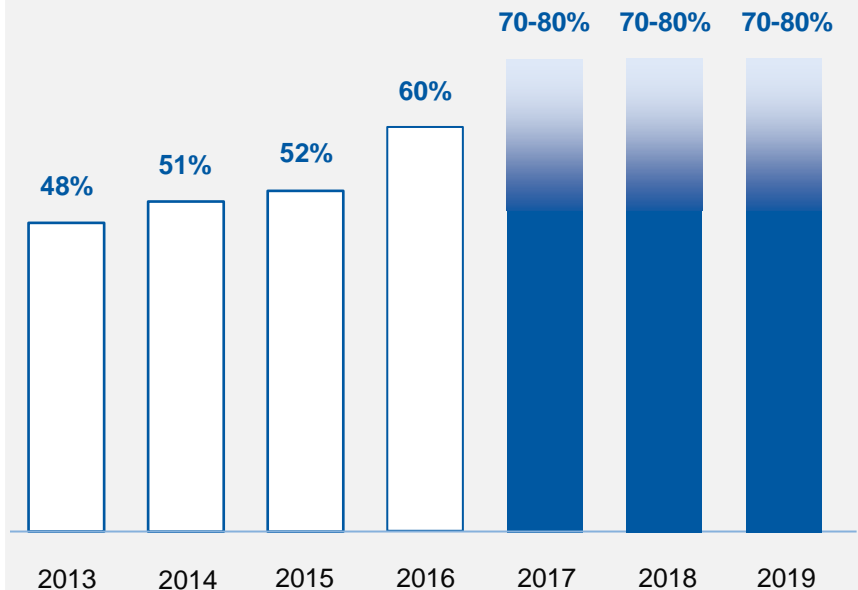
Supplementary dividend

In addition, we plan to distribute **supplementary dividends, from 10% increasing up to 20-30% of the EpS**

Prerequisites:

- No material deterioration of the environment (with longer-term and sustainably negative effects)
- Nor attractive investment opportunities neither positive growth environment

Payout ratio 2013 - 2019



1) The future dividend policy applies provided that the dividend payments resulting from it are consistent with a long-term and sustained business development of Aareal Bank AG. In addition, the dividend payments are subject to the proviso that corresponding dividend proposals have been made by the Management Board and the Supervisory Board for the respective year.



Appendix
Group results

Aareal Bank Group

QUALITY[®]
made by **AAREAL**

Structured Property Financing

Financing of Commercial Real Estate in Europe, North America and Asia with main focus on Hotels, Shopping Center, Logistic and Offices

Consulting / Services for the property industry

Market-leading integrated payment transaction system for the housing, commercial property and energy sector.
Market-leading IT systems for the management of residential and commercial property in Europe

Assets

€ 46.1 bn. Balance Sheet	€ 28 bn.. CRE loan book with Ø LTV of ~59%	Investment Financing	Active in 20 countries and 5 property types	20%-25% CRE loans in North America
-----------------------------	--	-------------------------	---	--

Funding

€ 28.4 bn. Long term debt and equity	Aaa/ AAA from Moody´s/ Fitch for Pfandbriefe	LTV of our cover pool at 37,8%	Issuer of EUR, GBP and USD	€ 10.2 bn Ø deposits from the housing industry
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KPIs

16.2% CET 1 (fully loaded)	25.2% TC (fully loaded)	P/B: 0.72 with Market Cap of ~ € 2.2 bn.	Pre tax RoE of 13.2% in 2016	~2.600 employees
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Aareal Bank Group

Results Q1 2017

	01.01.- 31.03.2017 € mn	01.01.- 31.03.2016 € mn	Change
Profit and loss account			
Net interest income	164	180	-9%
Allowance for credit losses	2	2	0%
Net interest income after allowance for credit losses	162	178	-9%
Net commission income	48	46	4%
Net result on hedge accounting	-3	1	
Net trading income / expenses	-1	9	
Results from non-trading assets		0	
Results from investments accounted for at equity		0	
Administrative expenses	139	146	-5%
Net other operating income / expenses	4	-1	
Operating Profit	71	87	-18%
Income taxes	24	27	-11%
Consolidated net income	47	60	-22%
Consolidated net income attributable to non-controlling interests	5	5	0%
Consolidated net income attributable to shareholders of Aareal Bank AG	42	55	-24%
Earnings per share (EpS)			
Consolidated net income attributable to shareholders of Aareal Bank AG ¹⁾	42	55	-24%
of which: allocated to ordinary shareholders	38	51	-25%
of which: allocated to AT1 investors	4	4	0%
Earnings per ordinary share (in €) ²⁾	0.63	0.85	-26%
Earnings per ordinary AT1 unit (in €) ³⁾	0.04	0.04	0%

1) The allocation of earnings is based on the assumption that net interest payable on the AT1 bond is recognised on an accrual basis.

2) Earnings per ordinary share are determined by dividing the earnings allocated to ordinary shareholders of Aareal Bank AG by the weighted average of ordinary shares outstanding during the financial year (59,857,221 shares). Basic earnings per ordinary share correspond to diluted earnings per ordinary share.

3) Earnings per AT1 unit (based on 100,000,000 AT1 units with a notional amount of 3 € each) are determined by dividing the earnings allocated to AT1 investors by the weighted average of AT1 units outstanding during the financial year. Earnings per AT1 unit (basic) correspond to (diluted) earnings per AT1 unit.

Aareal Bank Group

Results Q1 2017 by segments

	Structured Property Financing		Consulting / Services		Consolidation/ Reconciliation		Aareal Bank Group	
	01.01.- 31.03. 2017	01.01.- 31.03. 2016	01.01.- 31.03. 2017	01.01.- 31.03. 2016	01.01.- 31.03. 2017	01.01.- 31.03. 2016	01.01.- 31.03. 2017	01.01.- 31.03. 2016
€ mn								
Net interest income	167	182	0	0	-3	-2	164	180
Allowance for credit losses	2	2					2	2
Net interest income after allowance for credit losses	165	180	0	0	-3	-2	162	178
Net commission income	1	2	45	42	2	2	48	46
Net result on hedge accounting	-3	1					-3	1
Net trading income / expenses	-1	9		0			-1	9
Results from non-trading assets		0						0
Results from investments accounted for at equity				0				0
Administrative expenses	89	95	51	51	-1	0	139	146
Net other operating income / expenses	4	-1	0	0	0	0	4	-1
Operating profit	77	96	-6	-9	0	0	71	87
Income taxes	26	30	-2	-3			24	27
Consolidated net income	51	66	-4	-6	0	0	47	60
Allocation of results								
Cons. net income attributable to non-controlling interests	4	4	1	1			5	5
Cons. net income attributable to shareholders of Aareal Bank AG	47	62	-5	-7	0	0	42	55

Aareal Bank Group

Results – quarter by quarter

	Structured Property Financing					Consulting / Services					Consolidation / Reconciliation					Aareal Bank Group				
	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
€ mn																				
Net interest income	167	174	179	181	182	0	0	0	0	0	-3	-5	-4	-4	-2	164	169	175	177	180
Allowance for credit losses	2	33	33	29	2											2	33	33	29	2
Net interest income after allowance for credit losses	165	141	146	152	180	0	0	0	0	0	-3	-5	-4	-4	-2	162	136	142	148	178
Net commission income	1	5	2	1	2	45	47	39	43	42	2	4	3	3	2	48	56	44	47	46
Net result on hedge accounting	-3	-4	3	0	1											-3	-4	3	0	1
Net trading income / expenses	-1	-2	4	8	9				0	0						-1	-2	4	8	9
Results from non-trading assets		0	5	61	0		1										1	5	61	0
Results from results accounted for at equity							0	0	0	0							0	0	0	0
Administrative expenses	89	80	77	94	95	51	51	51	51	51	-1	-1	-1	-1	0	139	130	127	144	146
Net other operating income / expenses	4	26	2	0	-1	0	2	1	0	0	0	0	0	0	0	4	28	3	0	-1
Negative goodwill																				
Operating profit	77	86	85	128	96	-6	-1	-11	-8	-9	0	0	0	0	0	71	85	74	120	87
Income taxes	26	45	27	41	30	-2	-1	-4	-3	-3						24	44	23	38	27
Consolidated net income	51	41	58	87	66	-4	0	-7	-5	-6	0	0	0	0	0	47	41	51	82	60
Cons. net income attributable to non-controlling interests	4	3	5	4	4	1	1	0	1	1						5	4	5	5	5
Cons. net income attributable to shareholders of Aareal Bank AG	47	38	53	83	62	-5	-1	-7	-6	-7	0	0	0	0	0	42	37	46	77	55



Appendix
AT1: ADI of Aareal Bank AG

Interest payments and ADI of Aareal Bank AG

Available Distributable Items (as of end of the relevant year)

	31.12. 2016	31.12. 2015	31.12. 2014	31.12. 2013
€ mn				
Net Retained Profit	122	99	77	50
▪ <i>Net income</i>	122	99	77	50
▪ <i>Profit carried forward from previous year</i>	-	-	-	-
▪ <i>Net income attribution to revenue reserves</i>	-	-	-	-
+ Other revenue reserves after net income attribution	720	720	715	710
= Total dividend potential before amount blocked ¹⁾	842	819	792	760
./. Dividend amount blocked under section 268 (8) of the German Commercial Code	235	287	240	156
./. Dividend amount blocked under section 253 (6) of the German Commercial Code	28	-	-	-
= Available Distributable Items ¹⁾	579	532	552	604
+ Increase by aggregated amount of interest expenses relating to Distributions on Tier 1 Instruments ¹⁾	46	46	57	57
= Amount referred to in the relevant paragraphs of the terms and conditions of the respective Notes as being available to cover Interest Payments on the Notes and Distributions on other Tier 1 Instruments ¹⁾	625	578	609	661

1) Unaudited figures for information purposes only

Interest payments and ADI of Aareal Bank AG

Available Distributable Items (as of end of the relevant year)

	31.12. 2013	31.12. 2014	31.12. 2015	31.12. 2016
€ mn				
Net Retained Profit	50	77	99	122
▪ <i>Net income</i>	50	77	99	122
▪ <i>Profit carried forward from previous year</i>	-	-	-	-
▪ <i>Net income attribution to revenue reserves</i>	-	-	-	-
+ Other revenue reserves after net income attribution	710	715	720	720
= Total dividend potential before amount blocked ¹⁾	760	792	819	842
./. Dividend amount blocked under section 268 (8) of the German Commercial Code	156	240	287	235
./. Dividend amount blocked under section 253 (6) of the German Commercial Code	-	-	-	28
= Available Distributable Items ¹⁾	604	552	532	579
+ Increase by aggregated amount of interest expenses relating to Distributions on Tier 1 Instruments ¹⁾	57	57	46	46
= Amount referred to in the relevant paragraphs of the terms and conditions of the respective Notes as being available to cover Interest Payments on the Notes and Distributions on other Tier 1 Instruments ¹⁾	661	609	578	625

1) Unaudited figures for information purposes only

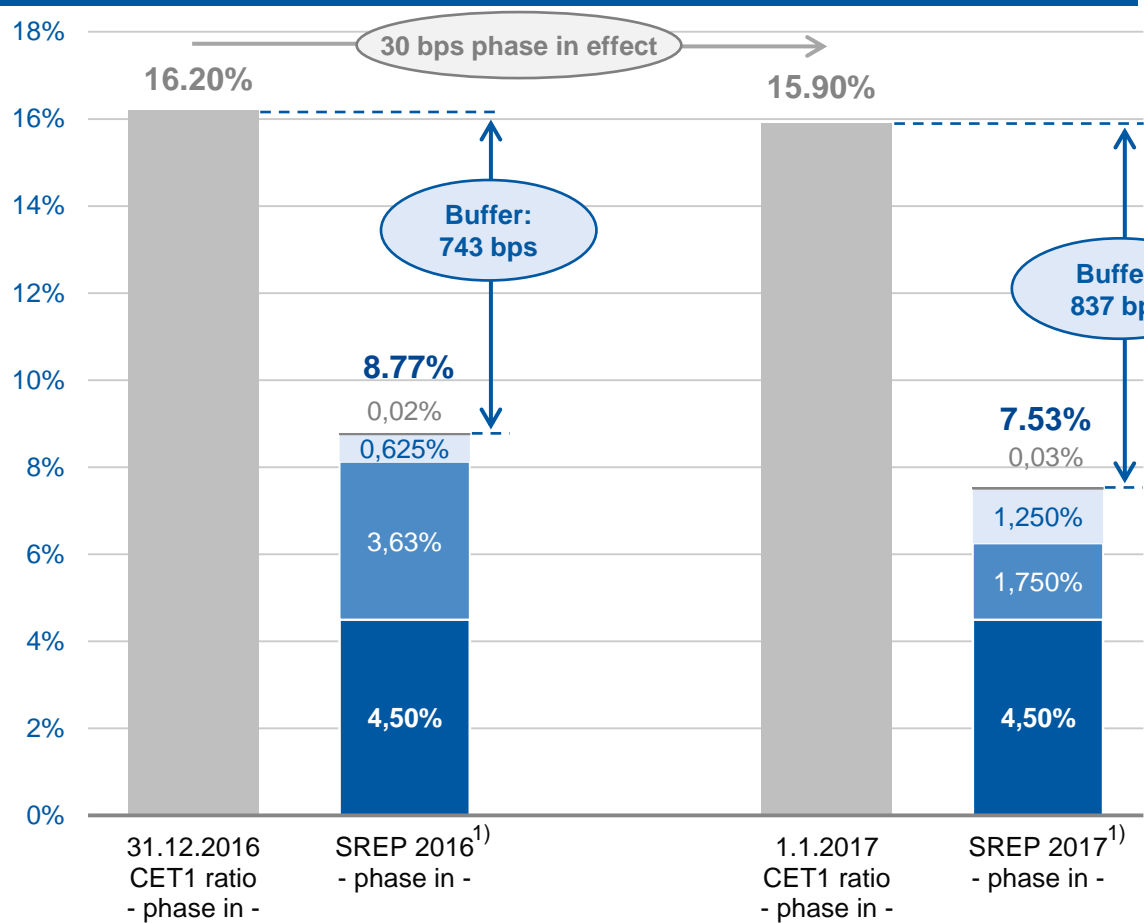


Appendix
SREP

SREP (CET 1) requirements

Demonstrating conservative and sustainable business model

Current CET1 ratio vs. SREP (CET1) requirements



- SREP requirement 2017 conceptual adjusted from CET1 approach to total SREP capital requirements (TSCR) approach
- Corresponding total capital requirement 2017 (Overall Capital Requirement (OCR) incl. buffers, phase-in) amounts to 11.03%. As of 31 Dec 2016 total capital ratio (phase-in) amounts to 27.5%

- Current CET 1 ratio
- Countercyclical Buffer
- Capital Conservation Buffer
- Pillar 2 Requirement
- Pillar 1 Requirement

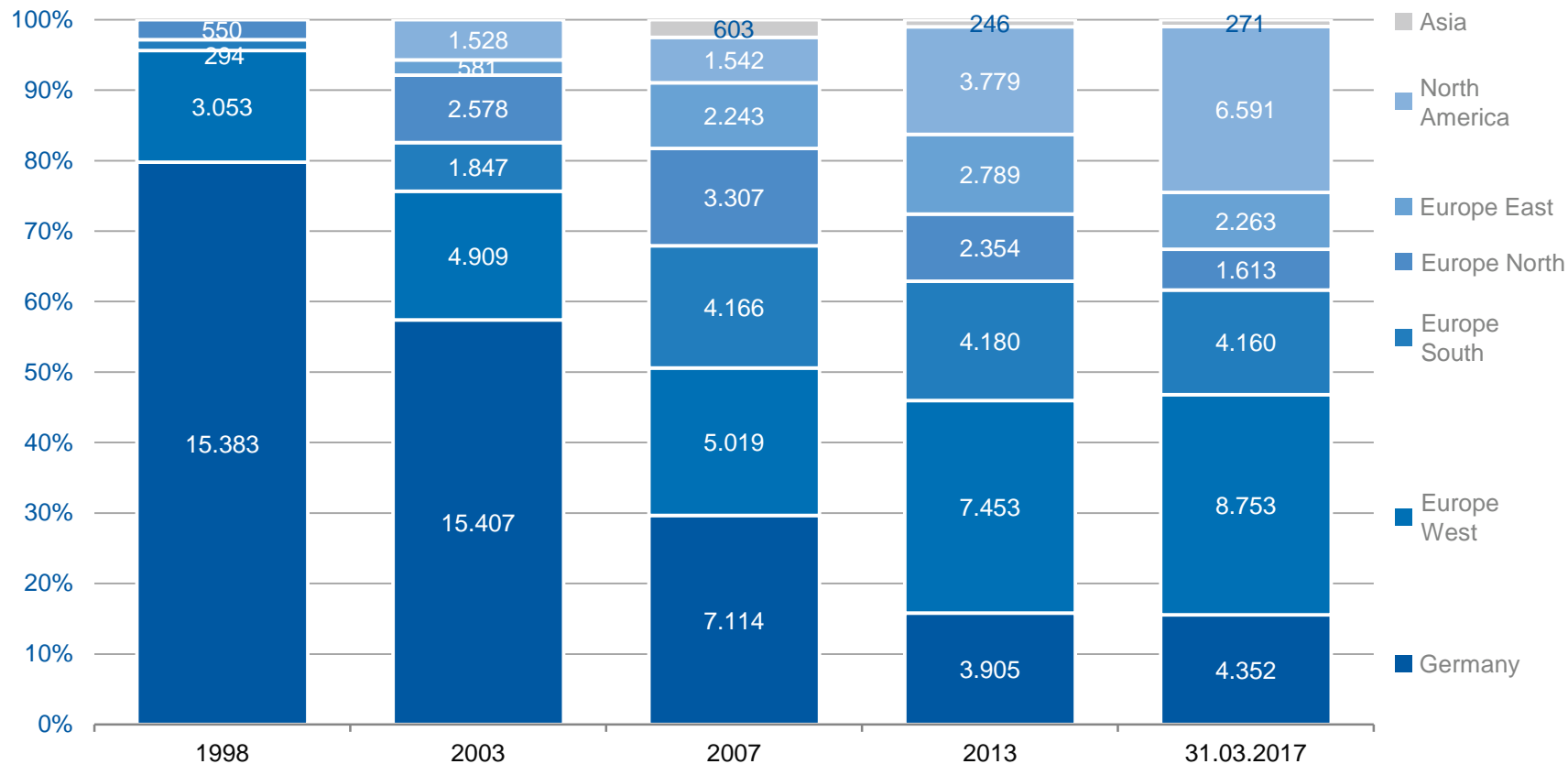
1) SREP-CET1 Requirements incl. buffers (Capital Conservation and Countercyclical)
As published February 23, 2017



Appendix
Development property finance portfolio

Development property finance portfolio¹⁾

Diversification continuously strengthened (in € mn)

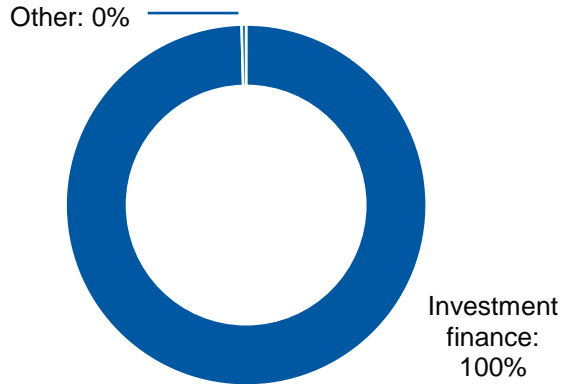


1) CRE-business only, private client business (€ 1.0 bn) and WIB's public sector loans (€ 0.6 bn) not included

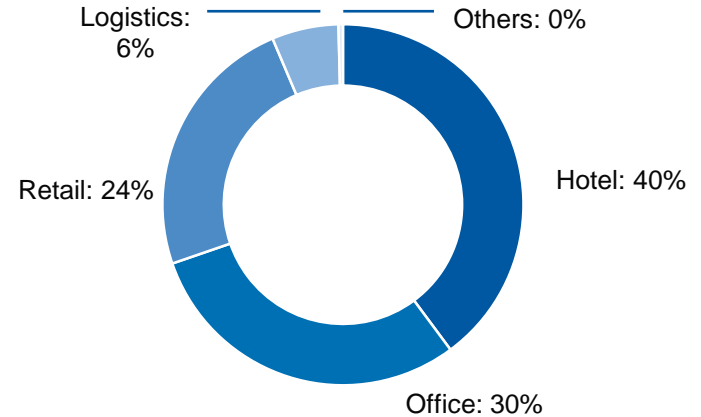
Western Europe (ex Germany) credit portfolio¹⁾

Total volume outstanding as at 31.03.2017: € 8.8 bn

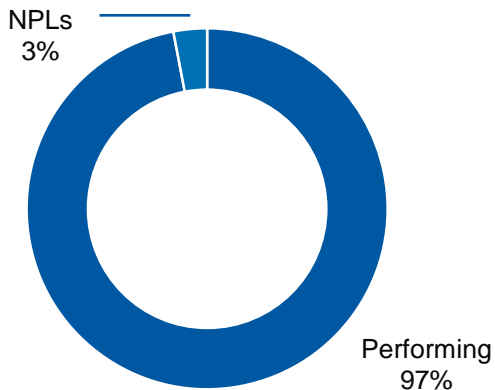
by product type



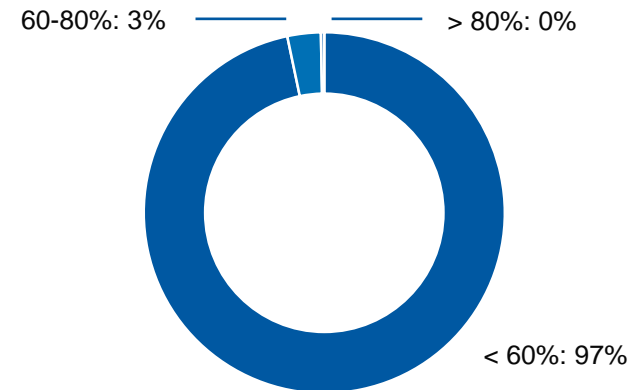
by property type



by performance



by LTV ranges²⁾



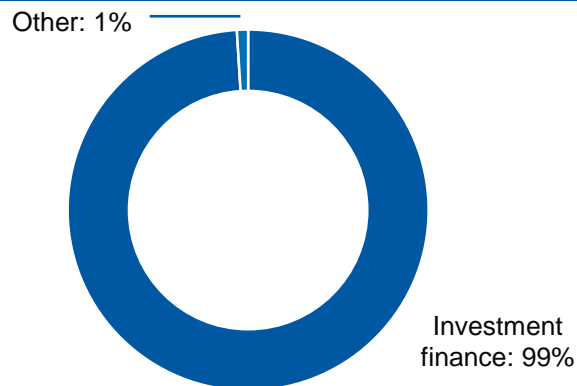
1) CRE-business only, private client business (€ 1.0 bn) and WIB's public sector loans (€ 0.6 bn) not included

2) Performing CRE-business only, exposure as at 31.03.2017

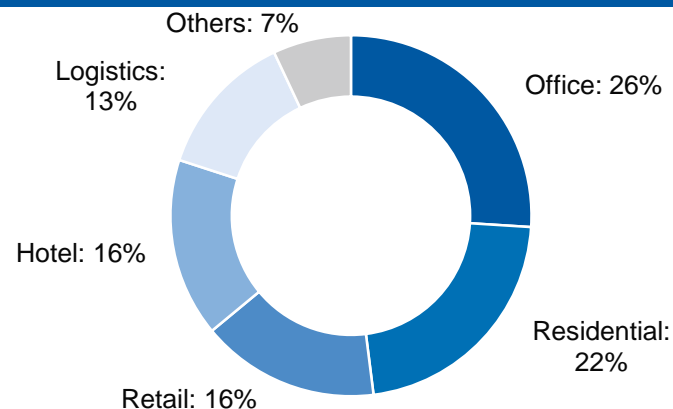
German credit portfolio¹⁾

Total volume outstanding as at 31.03.2017: € 4.4 bn

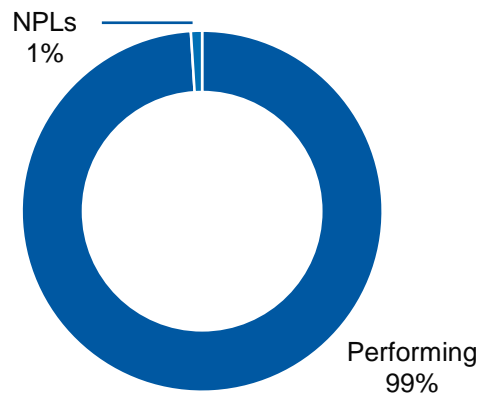
by product type



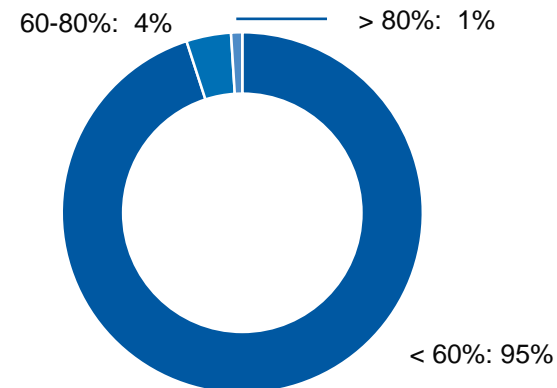
by property type



by performance



by LTV ranges²⁾



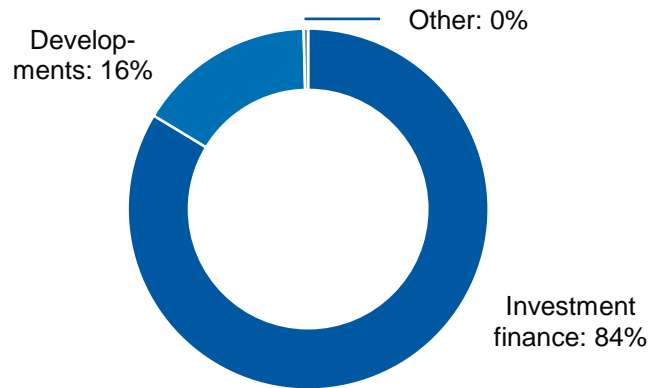
1) CRE-business only, private client business (€ 1.0 bn) and WIB's public sector loans (€ 0.6 bn) not included

2) Performing CRE-business only, exposure as at 31.03.2017

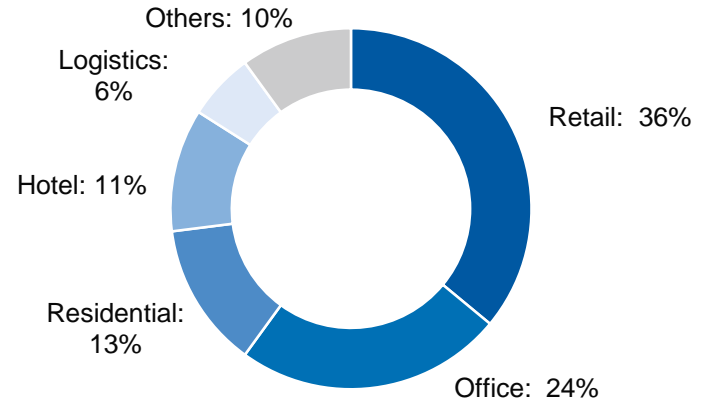
Southern Europe credit portfolio¹⁾

Total volume outstanding as at 31.03.2017: € 4.2 bn

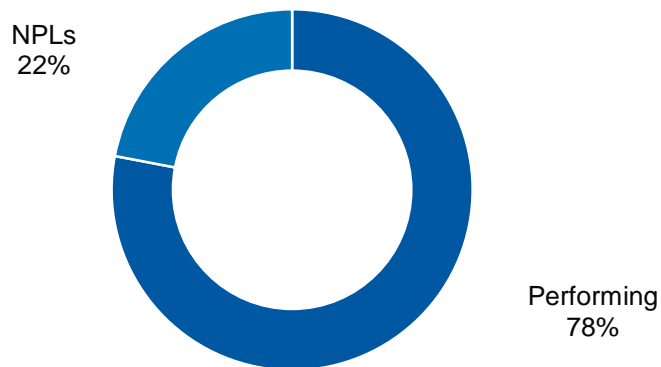
by product type



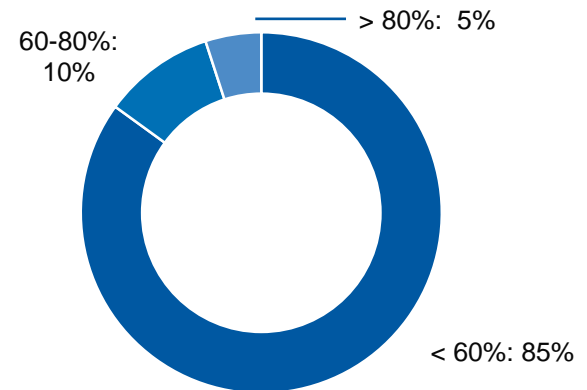
by property type



by performance



by LTV ranges²⁾



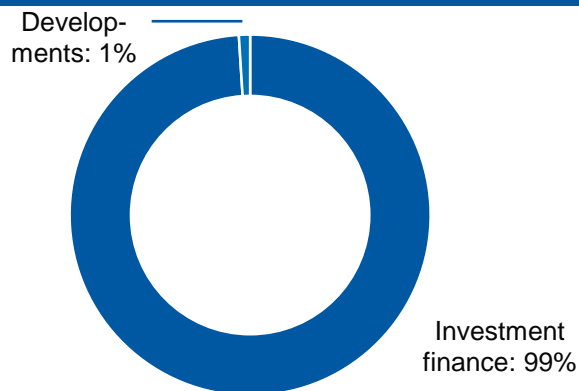
1) CRE-business only, private client business (€ 1.0 bn) and WIB's public sector loans (€ 0.6 bn) not included

2) Performing CRE-business only, exposure as at 31.03.2017

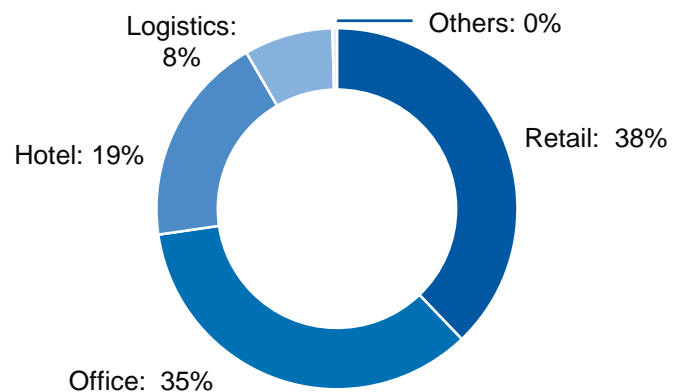
Eastern Europe credit portfolio¹⁾

Total volume outstanding as at 31.03.2017: € 2.3 bn

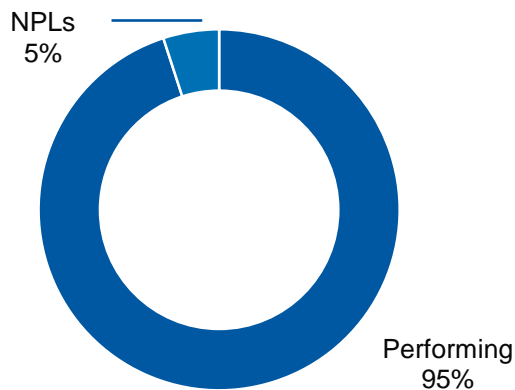
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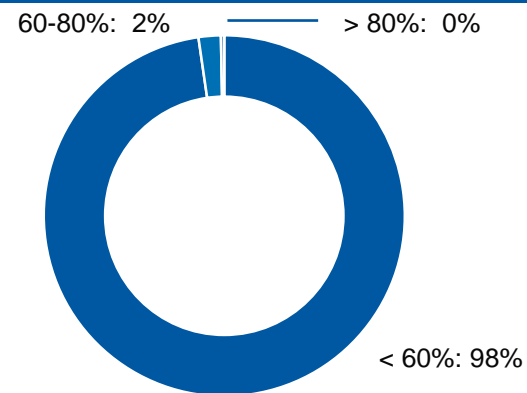
by property type



by performance



by LTV ranges²⁾



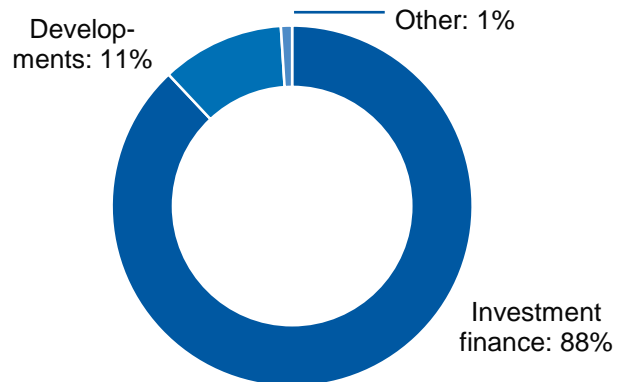
1) CRE-business only, private client business (€ 1.0 bn) and WIB's public sector loans (€ 0.6 bn) not included

2) Performing CRE-business only, exposure as at 31.03.2017

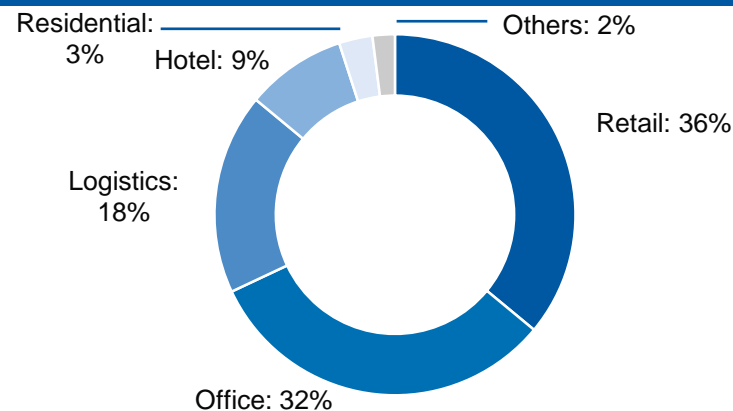
Northern Europe credit portfolio¹⁾

Total volume outstanding as at 31.03.2017: € 1.6 bn

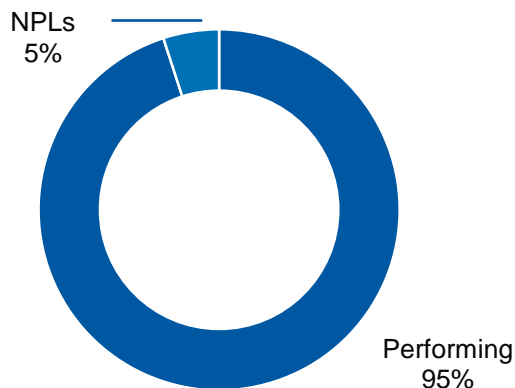
by product type



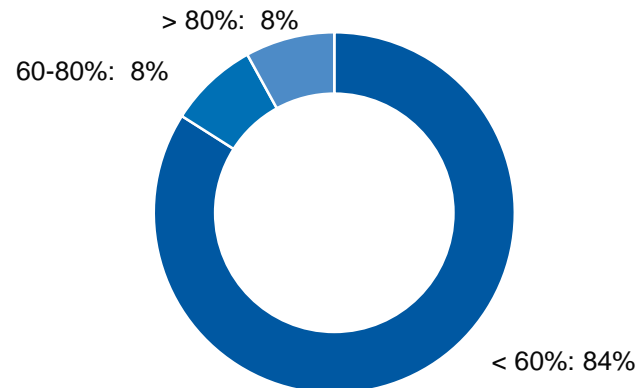
by property type



by performance



by LTV ranges²⁾



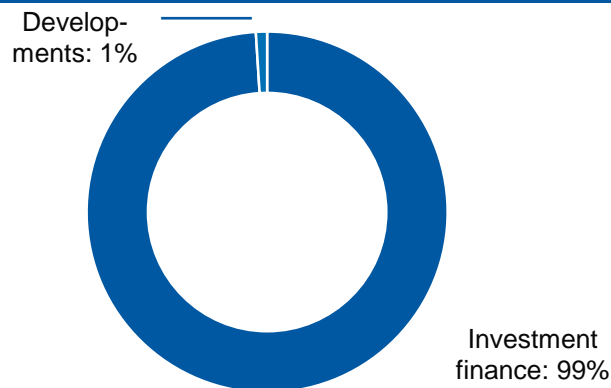
1) CRE-business only, private client business (€ 1.0 bn) and WIB's public sector loans (€ 0.6 bn) not included

2) Performing CRE-business only, exposure as at 31.03.2017

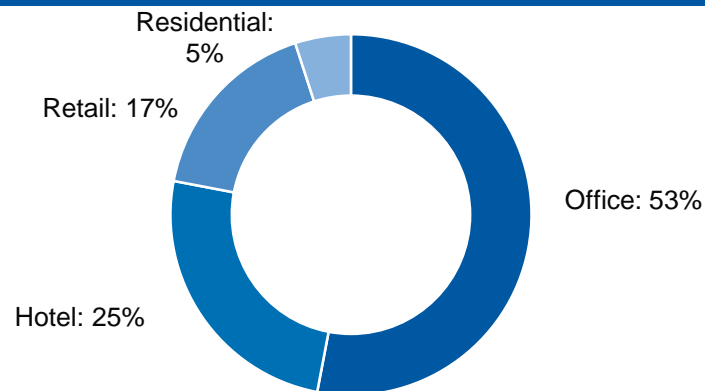
North America credit portfolio¹⁾

Total volume outstanding as at 31.03.2017: € 6.6 bn

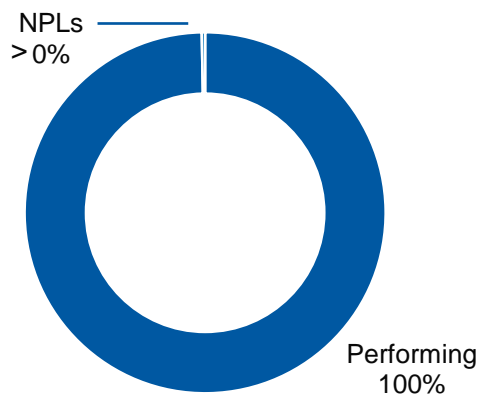
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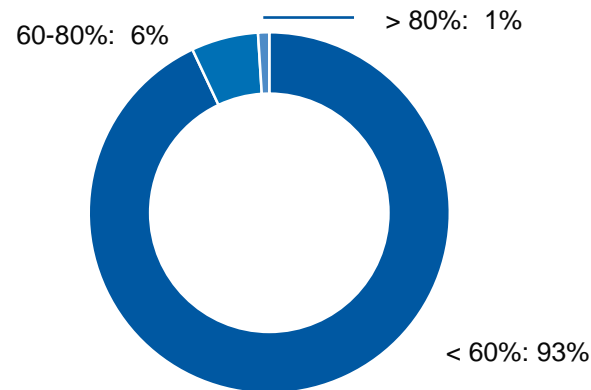
by property type



by performance



by LTV ranges²⁾



1) CRE-business only, private client business (€ 1.0 bn) and WIB's public sector loans (€ 0.6 bn) not included

2) Performing CRE-business only, exposure as at 31.03.2017

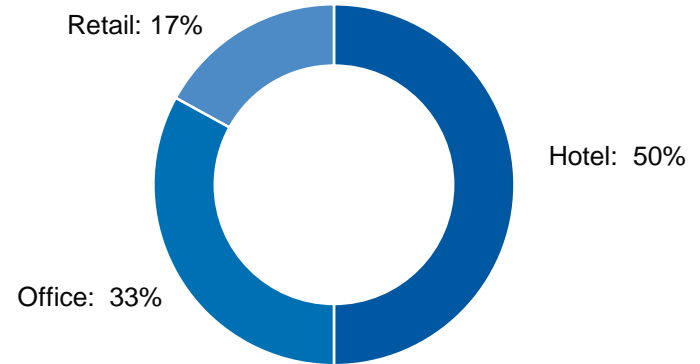
Asia credit portfolio¹⁾

Total volume outstanding as at 31.03.2017: € 0.3 bn

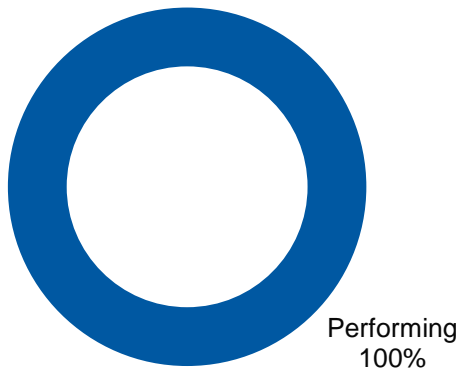
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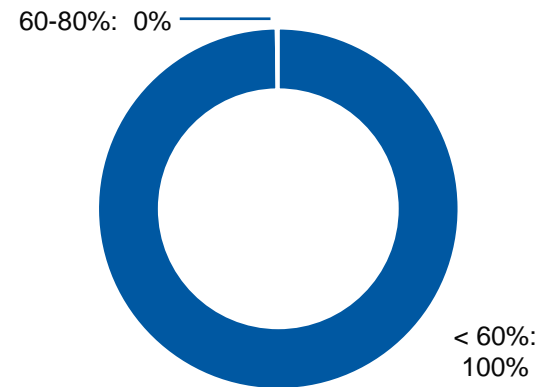
by property type



by performance



by LTV ranges²⁾



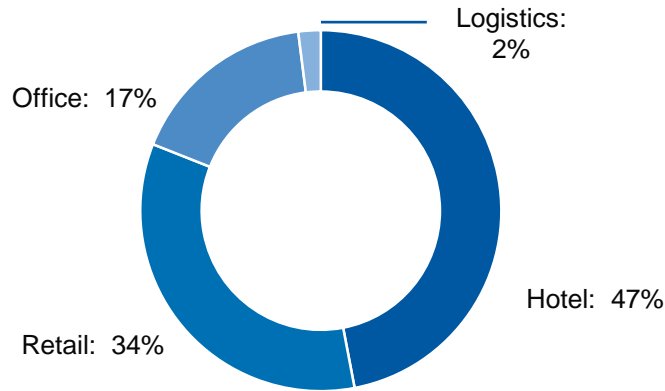
1) CRE-business only, private client business (€ 1.0 bn) and WIB's public sector loans (€ 0.6 bn) not included

2) Performing CRE-business only, exposure as at 31.03.2017

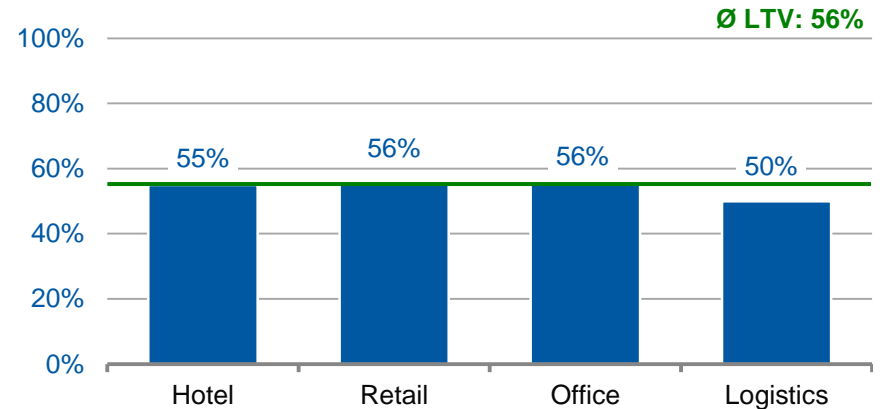
Spotlight: UK property finance portfolio¹⁾

€ 3.8 bn (~14% of total portfolio)

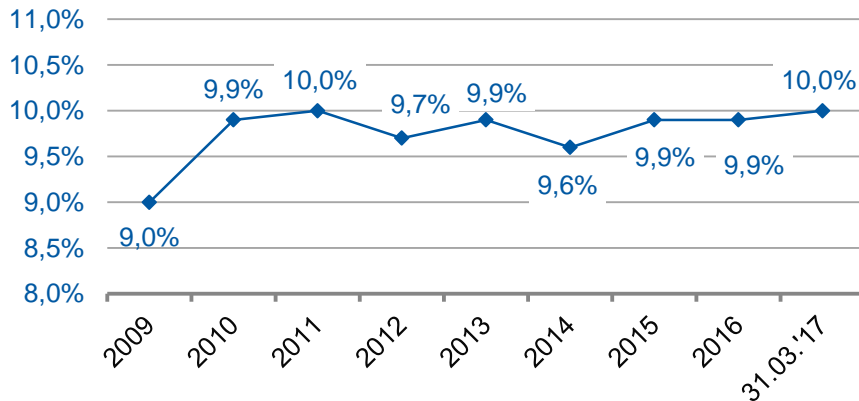
Total portfolio by property type



Average LTV by property type²⁾



Yield on debt²⁾



Comments

- Performing:
 - ~ 110 properties financed, no developments
 - ~ 55% of total portfolio in Greater London area, emphasising on hotels
 - € 101 mn with an LTV > 60%
 - Theoretical stress on property values (-20%): would lead to portfolio LTV of approx. 69%
- NPL: € 10 mn

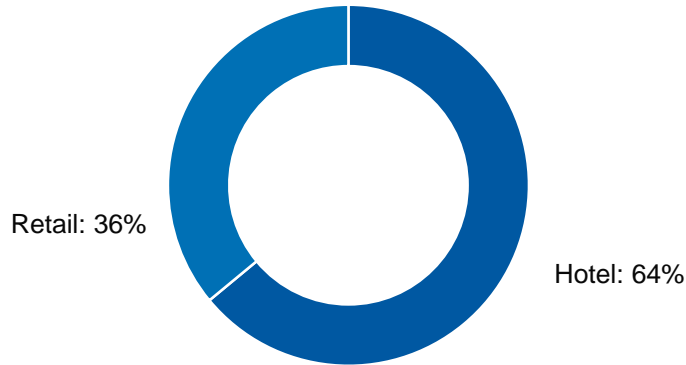
1) CRE-business only, private client business (€ 1.0 bn) and WIB's public sector loans (€ 0.6 bn) not included

2) Performing CRE-business only, exposure as at 31.03.2017

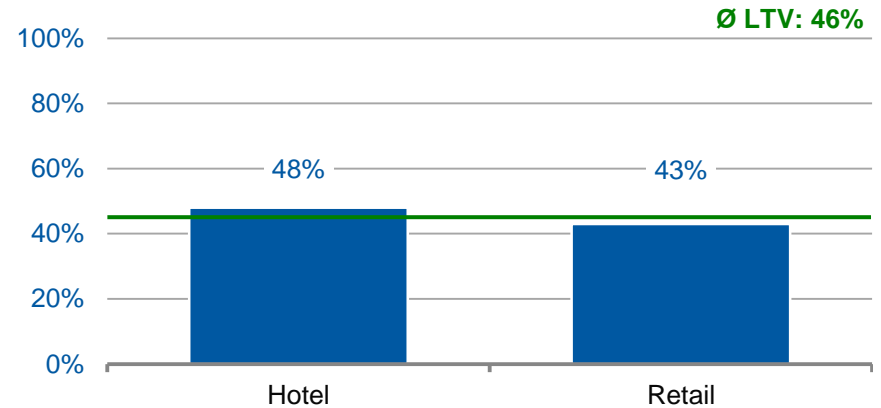
Spotlight: Turkey property finance portfolio¹⁾

€ 0.5 bn (~2% of total portfolio)

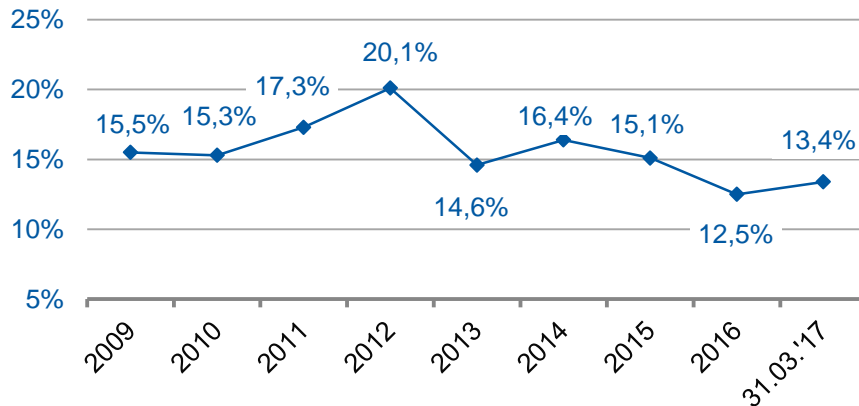
Total portfolio by property type



Average LTV by property type²⁾



Yield on debt²⁾



Comments

- Performing:
 - 10 properties financed: 7 hotels, 3 retail, no logistics, no developments
 - ~ 65% of total portfolio in Istanbul / Antalya
 - € 1 mn with an LTV > 60%
 - Theoretical stress on property values (-20%): would lead to portfolio LTV of approx. 58%
- NPL: € 95 mn, 2 deals (hotel, retail)

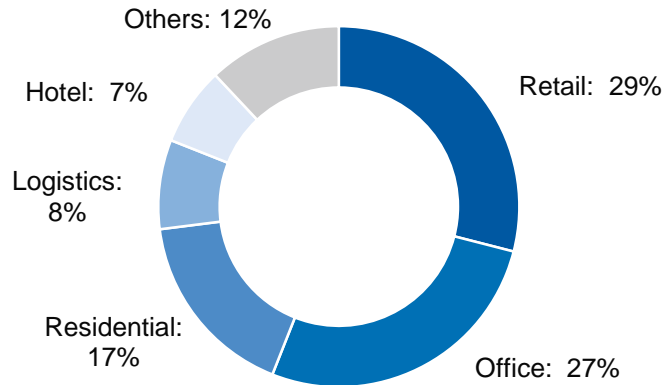
1) CRE-business only, private client business (€ 1.0 bn) and WIB's public sector loans (€ 0.6 bn) not included

2) Performing CRE-business only, exposure as at 31.03.2017

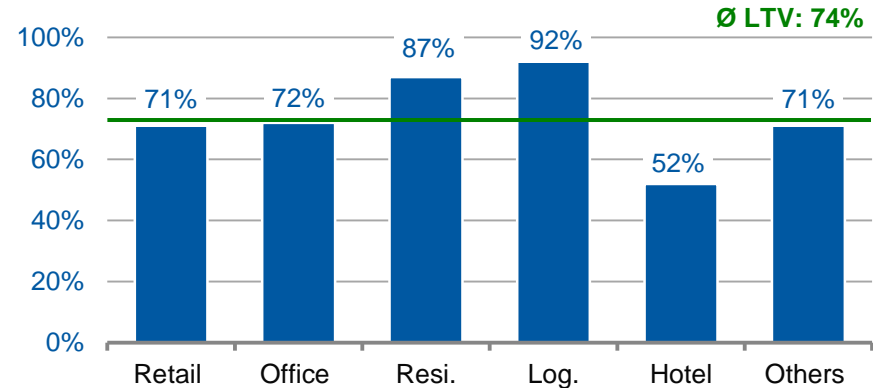
Spotlight: Italian property finance portfolio¹⁾

€ 3.1 bn (~11% of total portfolio)

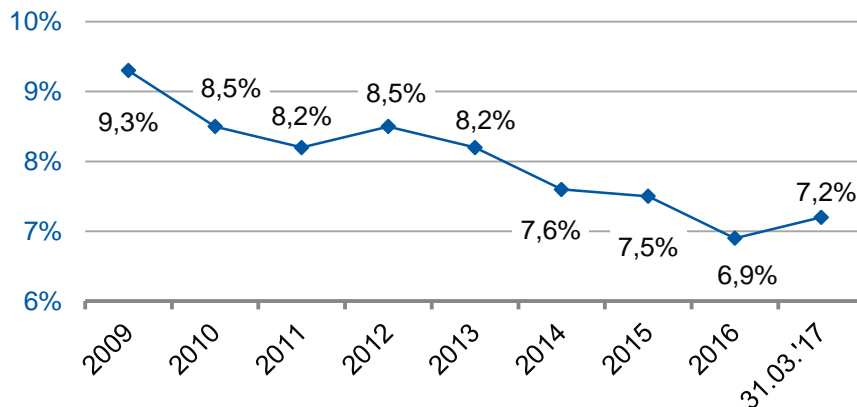
Total portfolio by property type



Average LTV by property type²⁾



Yield on debt²⁾



Comments

- Performing:
 - ~ 200 properties financed, < 10% developments
 - > 50% of total portfolio in Greater Rome or Milan area
 - € 421 mn with an LTV > 60%
 - Theoretical stress on property values (-20%): would lead to portfolio LTV of approx. 93%
- NPL: € 809 mn

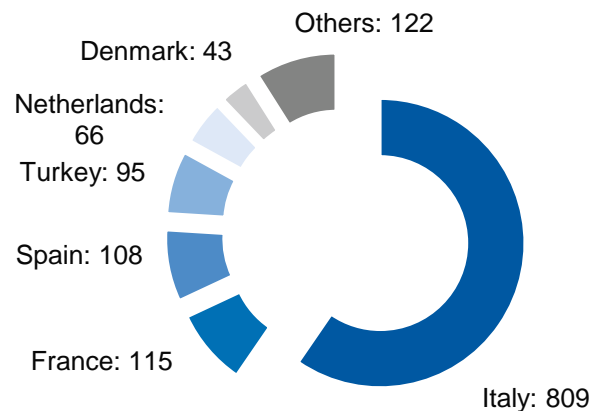
1) CRE-business only, private client business (€ 1.0 bn) and WIB's public sector loans (€ 0.6 bn) not included

2) Performing CRE-business only, exposure as at 31.03.2017

Spotlight Italy

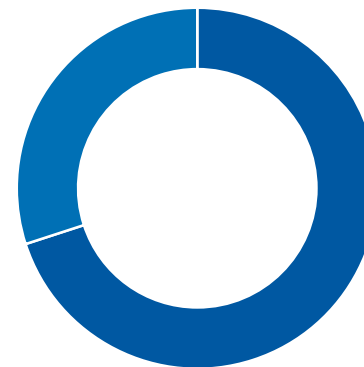
Italian NPL: clear going forward strategy

Total NPL portfolio: € 1,358 mn



Italian NPL by status

Enforcement:
~30%



Restructured /
agreement in place
or planned:
~70%

Italian NPL

- Restructuring period: vast majority to be solved till 2020
- Current enforcement period 3-4 years, but improving due to new legislation

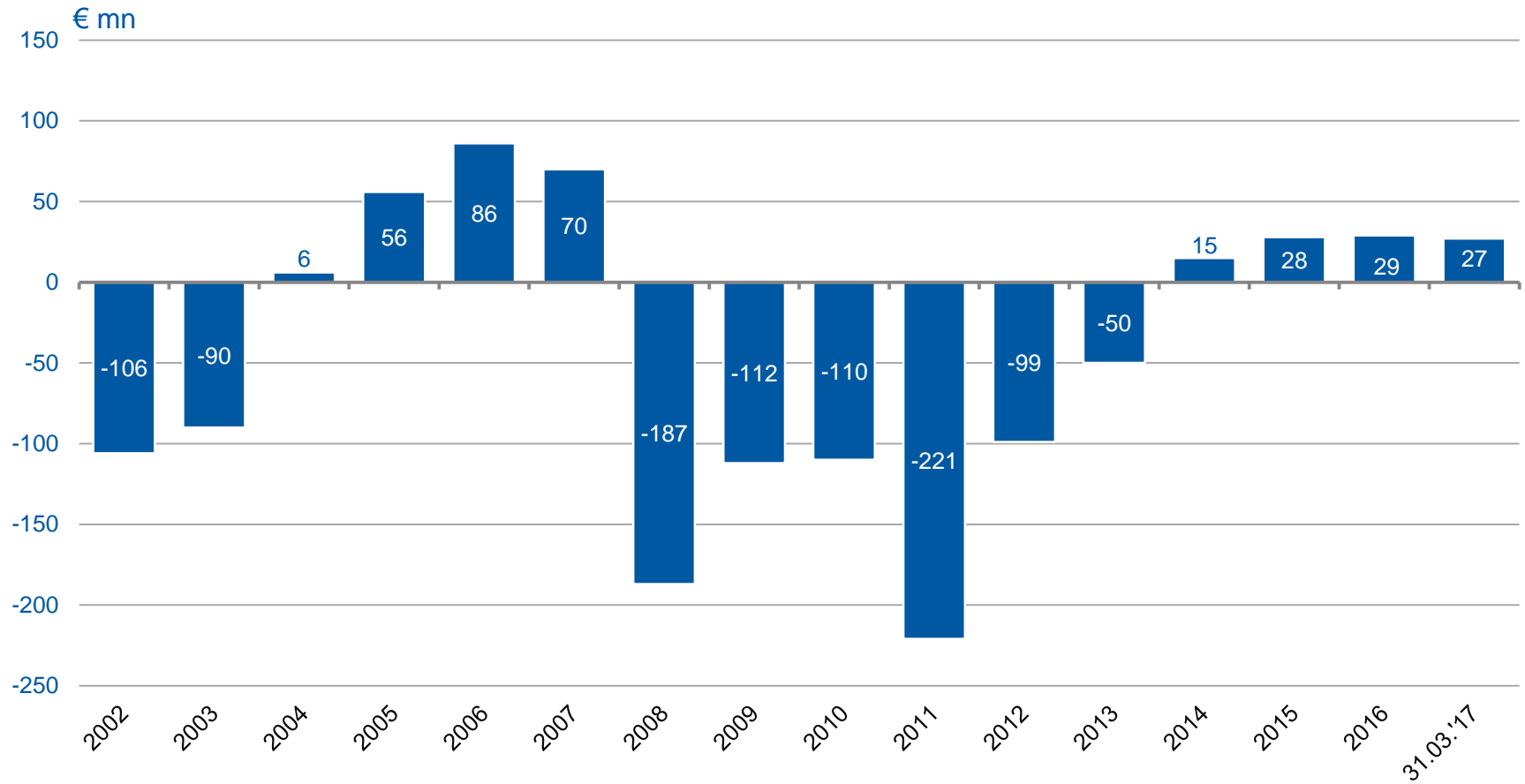


All Italian NPL are fully covered despite being in different workout-stages



Appendix
Revaluation surplus

Revaluation surplus



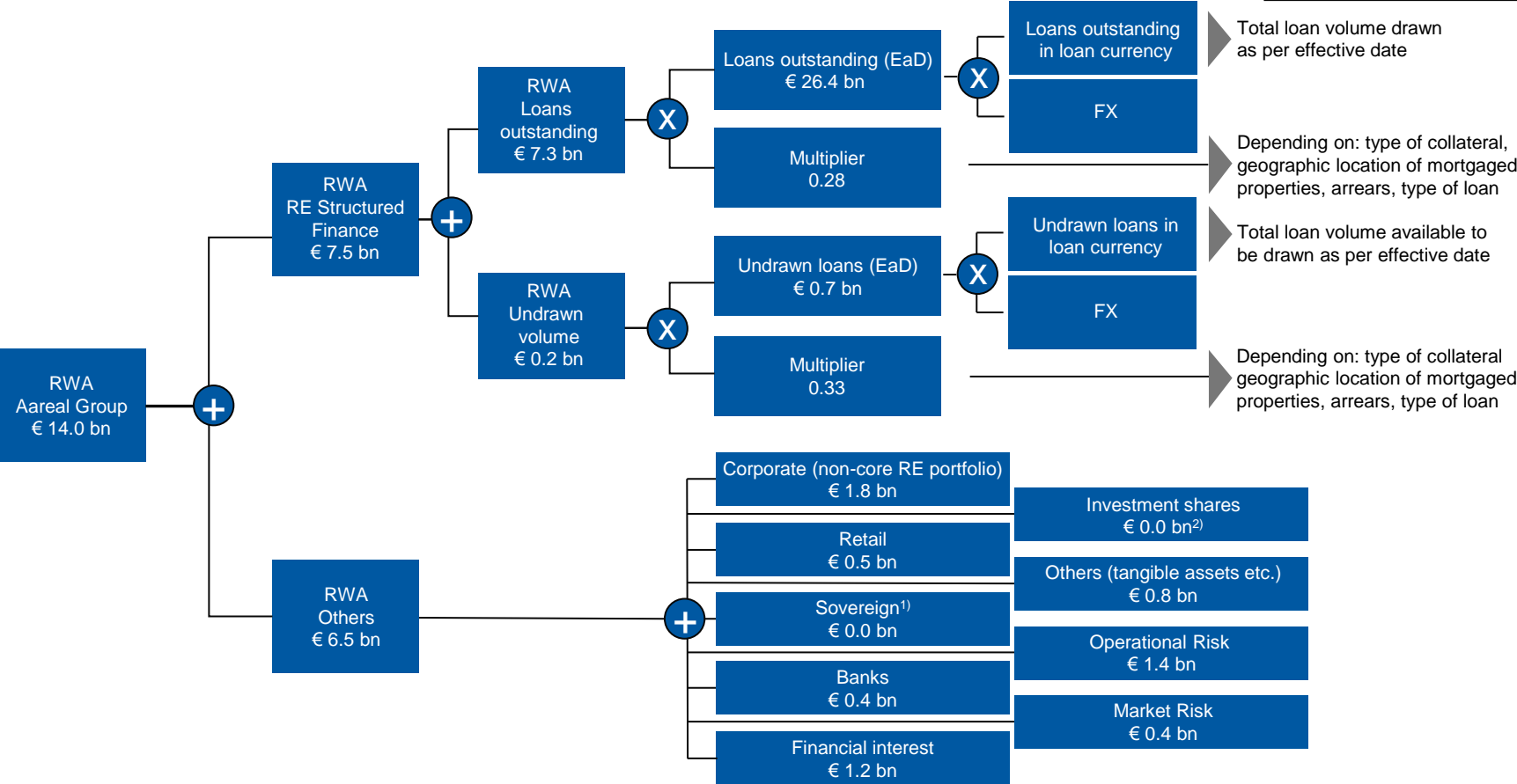


Appendix
RWA-split

From asset to risk weighted asset (RWA)

Essential factors affecting volume of RWA

Effective date 31/03/2017



1) Amounts to € 34 mn
2) Amounts to € 1 mn



Sustainability Performance

Aareal

Aareal Bank Group

Stands for solidity, reliability and predictability

Doing business sustainably

16.2% Common Equity Tier 1 ratio¹⁾, exceeds the statutory requirements



€ 28.0 bn Valuable Property Finance Portfolio²⁾



Aareon's products & services boost our client's sustainability records



Aareal Bank awarded as top employer for the 10th time in succession



Systematic approach: Code of Conduct for employees & suppliers



Solid refinancing base: Covered Bonds³⁾ with best possible ratings



Aareal Bank & Aareon: Certified Ecoprofit companies, by using

100%
green electricity⁴⁾

Above-average results in sustainability ratings



1) Full Basel III implementation, as at 31. 03.2017

2) CRE business only, private client business (€ 1.0 bn) and WIB's public sector loans (€ 0.6 bn) not included, as at 31.03.2017

3) Mortgage Pfandbriefe and Public-sector Pfandbriefe rated AAA by Fitch; Mortgage Pfandbriefe rated Aaa by Moody's

4) At our main locations in Wiesbaden and Mainz, selected other German sites as well as at our Stockholm branch

Sustainability data

Extends the financial depiction of the Group

Key takeaways at a glance



Transparent Reporting – facilitating informed investment decisions

- 5th Report “#THINKING AHEAD. ACTING CONSCIOUSLY.” and “SUSTAINABILITY DISCLOSURES 2016” will be published online¹⁾ on May 11th 2017
- “SUSTAINABILITY DISCLOSURES 2016”, structured according to requirements of EU Directive 2014/95/EU “Disclosure of non-financial and diversity information”, is based on Global Reporting Initiative (GRI) G4 guidelines, in compliance with “in accordance - core” option
- PricewaterhouseCoopers AG prepared a limited assurance engagement on materiality analysis / selected data



Sustainability Ratings – confirming the company’s sustainability performance



MSCI – Aareal Bank Group with “AA ESG Rating” and in highest scoring range for all the companies assessed relative to global peers with respect to Corporate Governance practices [as per 02/2017]



oekom research – Aareal Bank Group holds “prime status”, ranking among the leaders in its industry [since 2012]



Sustainalytics – Aareal Bank Group was classified as “outperformer”, ranking among the best 14% of its industry [as per 03/2017]



CDP – Aareal Bank Group achieved a result of “Management Level B”, well above average of peer group Financials (DACH region) / MDAX companies (“Awareness Level C”) [Report 2016]



imug – Aareal Bank was rated “positive BBB” in the category “Uncovered Bonds”; the second best result of all 109 rated Financial Institutions [as per 03/2017]

1) <http://www.aareal-bank.com/en/responsibility>



Definitions and contacts

Definitions

- **Structured Property Financing Portfolio** = Paid-out financings on balance sheet
- **New Business** = Newly acquired business incl. renewals + Contract is signed by customer + Fixed loan value and margin
- **Common Equity Tier 1 ratio** =
$$\frac{\text{CET1}}{\text{Risk weighted assets}}$$
- **Pre tax RoE** =
$$\frac{\text{Operating profit } \therefore \text{ income/loss attributable to non-controlling interests } \therefore \text{ AT1 coupon}}{\text{Average IFRS equity excl. non-controlling interests, other reserves, AT1 and dividends}}$$
- **CIR** =
$$\frac{\text{Admin expenses}}{\text{Net income}}$$
- **Net income** = net interest income + net commission income + net result on hedge accounting + net trading income + results from non-trading assets + results from investments accounted for at equity + results from investment properties + net other operating income
- **Net stable funding ratio** =
$$\frac{\text{Available stable funding}}{\text{Required stable funding}} \geq 100\%$$
- **Liquidity coverage ratio** =
$$\frac{\text{Total stock of high quality liquid assets}}{\text{Net cash outflows under stress}} \geq 100\%$$
- **Bail-in capital ratio** =
$$\frac{\text{Equity + subordinated capital}}{(\text{Long + short term funding}) - (\text{Equity + subordinated capital})}$$
- **Earnings per share** =
$$\frac{\text{operating profit } \therefore \text{ income taxes } \therefore \text{ income/loss attributable to non controlling interests } \therefore \text{ net AT1 coupon}}{\text{Number of ordinary shares}}$$
- **Yield on Debt** =
$$\frac{\text{Net operating income (NOI)} \times 100}{\text{Current commitment incl. prior / pari-passu loans}}$$

Contacts

Tobias Engel

Head of Capital Markets

Phone: +49 611 348 3851

tobias.engel@aareal-bank.com

Alexander Kirsch

Capital Markets

Phone: +49 611 348 3858

alexander.kirsch@aareal-bank.com

Jan Siemon

Capital Markets

Phone: +49 611 348 3856

jan.siemon@aareal-bank.com

Clarissa Veith

Capital Markets

Phone: +49 611 348 3852

clarissa.veith@aareal-bank.com

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- ◆ Homepage <http://www.aareal-bank.com>
 - ◆ Fitch www.fitchratings.com
 - ◆ Bloomberg Equity: ARL GR, Bond: AARB
 - ◆ Reuters ARLG.F
 - ◆ Deutsche Börse ARL

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